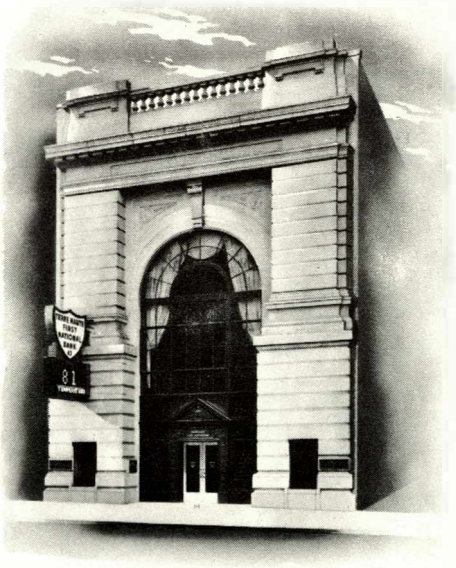
T.H. Banks + Banking 4/65

Terre Haute First National Bank

Terre Haute, Indiana



1964 ANNUAL REPORT

1964 ANNUAL REPORT TO THE SHAREHOLDERS

DIRECTORS

WALTER A. BLEDSOE
Investments

WILSON N. COX
Attorney at Law

JOHN J. CLEARY
Vice President
Terre Haute First National Bank

WELBY M. FRANTZ
President, Eastern Express, Inc.

CARL M. GRAHAM
President, Graham Grain Co., Inc.

ANTON HULMAN, JR.
President, Hulman & Company

CHARLES H. HUTCHINS
Sr. Vice President
The Weston Paper & Manufacturing Co.

EDWARD B. IJAMS
Assistant Vice President
Terre Haute First National Bank

F. BURCH IJAMS
Chairman of the Board
Alton Box Board

RICHARD W. KELLY
President, Bituminous Materials, Inc.

LEONARD B. MARSHALL
President
Terre Haute First National Bank

WILLIAM A. NIEMEYER
President, Lovelace Truck Service, Inc.

CECIL B. REED
Retired

CHAPMAN S. ROOT
President
Associated Coca-Cola Bottling Plants, Inc.

HENRY P. SMITH
President
Deep Vein Coal Company

TO THE SHAREHOLDERS:—

The year Nineteen hundred sixty-four was another year of progress and growth for our bank. We invite you to examine the year-end statements contained in this Annual Report. The Terre Haute First National Bank is proud of the continuing confidence given us by our many customers and friends.

You will note our Surplus was increased $500,000.00 through a transfer from Undivided Profits which will enable us to be of better service in the lending of funds to our commercial customers. Due to the increase in interest paid to our savings depositors and the continuing rise in living costs there is a material increase in our operating expenses. However, through the guidance of our Directors, and the experience and ability of our Officers and Staff, the bank is still progressing. The Board of Directors was increased from twelve to fifteen members which in itself increases the potential of the Board.

We have opened our new branch at Plaza North Shopping Center at the corner of Fort Harrison and Lafayette Avenues, which completes our full banking coverage for the people of Terre Haute and vicinity. We now have a Main Office and Branch in the heart of downtown Terre Haute, and Branches in the Northern, Eastern, and Southern sections of Terre Haute, as well as West Terre Haute.

It is with genuine sorrow that we acknowledge the passing of two liked and greatly respected officers of our West Terre Haute branch. Mr. Charles Ray passed away late in 1963, shortly after his retirement, and Mr. Earl R. Cramer in August, 1964, after an extended illness. They will be missed by friends and customers, and we hope we can carry on as they did.

We wish to announce with regret the retirement of Nelson F. Schroeder, Vice President and Trust Officer on January 31, 1965. King A. Fasig, who has been with Mr. Schroeder in the Trust Department since 1948, will replace him as Trust Officer. Mr. Fasig will be ably assisted by Jack H. Page and William H. King, Assistant Trust Officers.

The stockholders' interest in a bank is carried on the liability side of the statement. However, we always think of our stockholders as the greatest asset the Bank has. Many times during the year a new account or a new borrower is referred to us by a stockholder. Such referrals make us grow and prosper.

We look forward to another good year in 1965, and wish each of you a happy and prosperous New Year.

Sincerely yours,

Leonard B. Marshall

President

Comparative Statement of Condition

ASSETS

December 31, 1963

Cash in Vault and Due from Banks	$ 17,912,352.69
U. S. Government Bonds	27,400,942.77
Other Bonds and Securities	8,987,307.94
Stock of Federal Reserve Bank	105,000.00
Loans and Discounts	20,485,957.80
Banking House and Equipment	855,293.11
Interest Earned not Collected	376,703.82
Other Assets	61,825.03
Total Assets	$ 76,185,383.16
Trust Securities	26,928,826.15
Total Bank and Trust Assets	$103,114,209.31

LIABILITIES

December 31, 1963

Capital Stock (54,000 shares)	$ 1,080,000.00	
Surplus	2,420,000.00	
Undivided Profits	1,499,890.66	
Reserve for Contingencies	127,546.33	5,127,436.99
Other Reserves		127,829.06
Unearned Discount		346,250.53
Deposits:		
Demand	43,875,839.74	
Time	25,327,974.76	
U. S. Government	1,299,052.08	70,502,866.58
Other Liabilities		81,000.00
Total Liabilities		$ 76,185,383.16
Trust Securities		26,928,826.15
Total Bank and Trust Liabilities		$103,114,209.31

ASSETS

December 31, 1964

Cash in Vault and Due from Banks	$ 19,633,818.11
U. S. Government Bonds	28,121,613.75
Other Bonds and Securities	10,255,610.45
Stock of Federal Reserve Bank	120,000.00
Loans and Discounts	22,977,581.13
Banking House and Equipment	907,472.41
Interest Earned not Collected	428,454.90
Other Assets	62,147.33
Total Assets	$ 82,506,698.08
Trust Securities	29,076,092.78
Total Bank and Trust Assets	$111,582,790.86

LIABILITIES

December 31, 1964

Capital Stock (54,000 shares)	$ 1,080,000.00	
Surplus	2,920,000.00	
Undivided Profits	1,403,018.50	
Reserve for Contingencies	125,952.33	5,528,970.83
Other Reserves		256,025.81
Unearned Discount		395,566.17
Deposits:		
Demand	46,865,052.75	
Time	28,067,258.84	
U. S. Government	1,307,423.68	76,239,735.27
Other Liabilities		86,400.00
Total Liabilities		$ 82,506,698.08
Trust Securities		29,076,092.78
Total Bank and Trust Liabilities		$111,582,790.86

Earnings And Expenses

	1963	1964
Operating Income		
Interest on Loans	$1,250,788.61	1,228,682.92
Interest on Securities	1,156,951.70	1,336,009.11
Other Income	241,128.94	254,827.29
Total Operating Income	2,648,869.25	2,819,519.32
Operating Expense		
Salaries and Wages	777,600.00	799,400.00
Interest Paid on Deposits	709,528.50	901,392.50
Taxes Paid (Other than Federal)	111,233.17	99,768.06
Other Operating Expense	667,310.64	622,417.32
Total Operating Expense	2,265,672.31	2,422,977.88
Net Operating Income Before Taxes	383,196.00	396,541.44
Federal Income Tax (Accrued)	24,000.00**	120,000.00
Net Operating Income	359,196.94	276,541.44
Profit (or Losses on Securities and Misc. Recoveries (or Losses)	(598,970.47)	292,392.40
Net Earnings (or Loss)	(239,773.53)	568,933.84
Cash Dividend Paid	162,000.00	167,400.00
Transferred to - from Capital Accounts	(401,773.53)	401,533.84
Book Value Per Share*	92.54	100.06
Earnings Per Share*	7.10	7.34
Cash Dividend Paid Per Share	3.00	3.10

*Based on 54,000 Shares Outstanding

**1962 Tax Accrued in 1963

Reconcilement Capital Accounts

	1963	1964
Total Capital Accounts January 1	$5,529,210.52	5,127,436.99
Net Earnings (or Loss)	(239,773.53)	568,933.84
	$5,289,436.99	5,696,370.83
Less:		
Dividends Paid	162,000.00	167,400.00
Total Capital Accounts December 31	$5,127,436.99	5,528,970.83

BANKING OFFICES

MAIN OFFICE
643-645 Wabash Avenue
Terre Haute, Indiana

DOWNTOWN BRANCH
511-513 Wabash Avenue
Terre Haute, Indiana

INSTALLMENT LOAN OFFICE
509 Wabash Avenue
Terre Haute, Indiana

MEADOWS CENTER BRANCH
(DRIVE-IN)
350 South 25th Street
Terre Haute, Indiana

SOUTHLAND BRANCH
(DRIVE-IN)
7th St. & Margaret Ave.
Terre Haute, Indiana

WEST TERRE HAUTE BRANCH
123 West Paris Ave.
West Terre Haute, Indiana

PLAZA NORTH BRANCH
(DRIVE-IN)
Corner Ft. Harrison & Lafayette
Terre Haute, Indiana

OFFICERS

LEONARD B. MARSHALL, *President*
JOHN J. CLEARY, *Vice President*
WILLIAM E. LEWIS,
Vice President & Cashier
KENNETH W. HICKMAN, *Vice President*
LEWIS E. NORWOOD, *Auditor*
WILLIAM R. McKEEN,
Assistant Vice President
MARVIN K. BENNET, *Assistant Cashier*
EARL W. KICKLER, *Assistant Cashier*

MORTGAGE LOAN DEPARTMENT

JAMES E. BROWN, *Assistant Vice President*

TRUST DEPARTMENT

NELSON F. SCHROEDER,
Vice President & Trust Officer
KING A. FASIG, *Assistant Trust Officer*
JACK H. PAGE, *Assistant Trust Officer*

DOWNTOWN BRANCH

VERN SPARKS, *Assistant Cashier & Mgr.*

INSTALLMENT LOAN OFFICE

RICHARD E. CONRAD,
Assistant Vice Pres. & Mgr.

MEADOWS CENTER BRANCH

A. KESTER ENDERS,
Assistant Vice Pres. & Mgr.
CONNOR J. SMITH, *Assistant Cashier*

SOUTHLAND BRANCH

EDWARD B. IJAMS,
Assistant Vice Pres. & Mgr.

WEST TERRE HAUTE BRANCH

JAMES LEE BLACK, *Assistant Cashier*
GERALD L. BRANHAM, *Assistant Cashier*

PLAZA NORTH BRANCH

DALE H. NEES,
Assistant Vice Pres. & Mgr.

First

1970 ANNUAL REPORT

TERRE HAUTE

First

NATIONAL BANK

1970 Annual Report
TERRE HAUTE FIRST NATIONAL BANK
Terre Haute, Indiana

TO OUR SHAREHOLDERS

We are pleased to submit to you on behalf of the Board of Directors, the 108th Annual Report of Terre Haute First National Bank.

At the beginning of 1970, our national economy was in the throes of an impending recession and a bearish stock market. In March the major banks throughout the country reduced the commercial prime rate for the first time since September, 1968. As the year progressed, the economy was affected by two major strikes, a high rate of inflation persisted and unemployment accelerated. By year end, with the optimism of an upturn, the national economy had experienced the first downturn in nine years.

Naturally, these factors affected our local economy, but with no apparent adverse effects.

During 1970, your Bank experienced growth in deposits and healthy gains in profits. Deposits reached an all time high at year end of $107,530,105. This represents an increase of approximately 10% over the $97,858,224 reported on December 31, 1969. The increased loan demand of 1969 continued through the middle of 1970, when our loans were at their peak of $53,644,020, compared to $48,663,837 outstanding by year end. Net income after taxes was $1,086,793 or $20.13 per share. Gross income amounted to $6,887,899, an increase of $1,132,300, or 16.4% over the year 1969. Operating expenses totaled $5,057,122, an increase of $401,844 over 1969.

Faced with the need for expanded installment loan facilities and downtown parking, we purchased, adjacent to the Installment Loan Office, the southeast corner of Fifth Street and Wabash Avenue. Likewise, additional space at Meadows Shopping Center was leased to meet the expanding physical needs of the Data Processing operation.

BankAmericard was added to our many services last year. In October, after many months of preparation, the first credit cards--all of which must be requested by our customers -- were delivered. Hopefully, the program will be beneficial to our customers and community, since BankAmericard has made a phenomenal growth both nationally and internationally.

Effective January 1, 1971, we are pleased to announce the advancement of both Marvin K. Bennet and Connor J. Smith to the rank of Vice President, and the promotion of David A. Hanson to Assistant Cashier, Manager of Farm Services and BankAmericard. Retiring in 1970 was Dale H. Nees, Assistant Vice President, Manager of the Plaza North Office.

We are grateful to our stockholders, directors, our fine staff of officers and employees for the accomplishments of 1970, our most successful year.

John J. Cleary
President

STATEMENT OF CONDITION

ASSETS	December 31, 1970	December 31, 1969
Cash and due from banks	$ 16,945,796.27	$ 13,487,093.65
Investment Securities		
U.S. Treasury	21,635,244.00	21,342,436.50
Other U.S. Government agencies	5,711,350.00	5,711,350.00
State and municipal	10,603,463.80	10,431,905.88
Other	160,001.00	160,001.00
Total investment securities	$ 55,055,855.07	$ 51,132,787.03
Federal funds sold	$ 14,000,000.00	$ 8,100,000.00
Loans	48,663,837.97	49,658,559.61
Bank premises and equipment	1,201,104.30	1,239,697.00
Accrued interest receivable and other assets	1,052,686.24	698,531.15
TOTAL BANK ASSETS	$119,973,483.58	$110,829,574.79
Trust securities	47,043,881.27	51,040,694.98
TOTAL BANK ASSETS AND TRUST SECURITIES	$167,017,364.85	$161,870,269.77
LIABILITIES		
Deposits:		
Demand	$ 56,622,054.40	$ 48,709,491.67
Time	50,908,051.49	49,148,732.53
Total Deposits	$107,530,105.89	$ 97,858,224.20
Federal funds purchased	1,000,000.00	2,700,000.00
Unearned discounts and other liabilities	2,275,825.33	1,931,050.84
TOTAL LIABILITIES	$110,805,931.22	$102,489,275.04
Reserve for possible loan losses	$ 1,107,533.47	$ 1,124,074.60
CAPITAL		
Common Stock, par value $20.00 a share:		
Issued and outstanding 54,000 shares	1,080,000.00	1,080,000.00
Surplus	3,920,000.00	3,920,000.00
Undivided Profits	2,960,018.89	2,116,225.15
Reserve for contingencies	100,000.00	100,000.00
TOTAL CAPITAL	$ 9,167,552.36	$ 8,340,299.75
TOTAL BANK LIABILITIES, RESERVES, AND CAPITAL	$119,973,483.58	$110,829,574.79
Trust investments	47,043,881.27	51,040,694.98
TOTAL BANK LIABILITIES, RESERVES, CAPITAL AND TRUST INVESTMENTS	$167,017,364.85	$161,870,269.77

STATEMENT OF INCOME*

OPERATING INCOME:	December 31, 1970	December 31, 1969
Interest and fees on loans	$3,913,182.93	$3,303,380.54
Income on federal funds sold	334,668.64	208,104.14
Interest and dividends:		
U.S. Treasury securities	1,289,679.95	1,137,008.99
Other U.S. Government securities	452,349.75	363,767.34
State and municipal securities	353,590.96	350,642.94
Other securities	12,399.60	9,378.87
Trust department income	179,220.24	130,219.10
Service charges on deposit accounts	173,033.86	152,273.48
Other service charges	110,705.44	70,538.43
Other operating income	69,067.74	30,284.74
TOTAL OPERATING INCOME	$6,887,899.11	$5,755,598.57
OPERATING EXPENSES:		
Salaries and wages	$1,244,500.00	$1,092,064.77
Pensions and other employee benefits	197,976.42	209,637.96
Interest on deposits	2,180,502.43	1,952,307.73
Expense of federal funds purchased	93,760.18	1,865.23
Interest on borrowed money	None	2,239.73
Net occupancy expenses -- Bank premises	194,705.19	191,599.64
Furniture and equipment, depreciation, rental costs, and maintenance	338,480.34	324,845.65
Provision for possible loan losses	69,643.44	255,197.09
Other operating expenses	737,554.64	625,520.26
TOTAL OPERATING EXPENSES	$5,057,122.64	$4,655,278.06
INCOME BEFORE INCOME TAXES AND SECURITIES GAINS or LOSSES	$1,830,776.47	$1,100,320.51
Federal income taxes	738,000.00	313,925.00
INCOME BEFORE SECURITIES GAINS or LOSSES	$1,092,776.47	786,395.51
Securities Gains or (Losses), Net of income tax effect of ($6,115.33) in 1970 and $16,075.00 in 1969	(5,982.73)	48,224.13
NET INCOME	$1,086,793.74	$ 834,619.64
Per share of Common Stock:		
Income before securities gains	20.24	14.56
Securities gains or losses	(.11)	.89
Net Income	20.13	15.45

*Earnings based on 1970 figures before final audit.

RECONCILEMENT OF CAPITAL ACCOUNTS

	December 31, 1970	December 31, 1969
Balance at beginning of year per books	$7,216,225.15	$6,624,605.51
Add net income for the year	1,086,793.74	834,619.64
Deduct cash dividends declared (per share 1970 - $4.50; 1969 - $4.50)	243,000.00	243,000.00
BALANCE AT END OF YEAR	$8,060,018.89	$7,216,225.15

RESERVE FOR POSSIBLE LOAN LOSSES

Balance at beginning of year	$1,124,074.60	$ 911,155.07
Additions:		
Recovery of loans previously charged-off	46,053.09	74,895.44
Provision for possible loan losses	69,643.44	255,197.09
	$1,239,771.13	$1,241,247.60
Loans charged-off (deduction)	(132,237.66)	(117,173.00)
BALANCE AT END OF YEAR	$1,107,533.47	$1,124,074.60

THE 1970 OPERATING DOLLAR

HOW EARNED

Income on Loans	56.8
Income on Federal Funds Sold	4.9
Income on Investments	30.6
Trust Fees	2.6
Other Income	5.1
	100.0%

HOW USED

Interest Paid on Deposits	31.7
Salaries and Employees Benefits	21.0
Federal Income Taxes	10.7
Retained Earnings	12.2
Dividends	3.5
Other Expenses	20.9
	100.0%

DIRECTORS

WALTER A. BLEDSOE.....Investments

JOHN J. CLEARY.....President, Terre Haute First National Bank

WILSON N. COX.....Attorney at Law

WELBY M. FRANTZ.....Vice Chairman, Eastern Express, Inc.

ANTON HULMAN, JR.....President, Hulman & Company

CHARLES H. HUTCHINS.....President, Gateway Development Corporation

EDWARD B. IJAMS.....Investments

RICHARD W. KELLY.....President, Bituminous Materials, Inc.

WILLIAM A. NIEMEYER.....President, Lovelace Truck Service, Inc.

JOHN W. RAGLE.....President, Graham Grain Co., Inc.

DONALD E. SMITH.....Executive Vice President, Terre Haute First National Bank

HENRY P. SMITH.....President, Deep Vein Coal Company

IN MEMORIAM

Leonard B. Marshall, retired President and Director, died September 11, 1970. He was elected a Director of Terre Haute First National Bank in 1930 and served as President since 1945, the offices which he held until he retired in 1968. Mr. Marshall was very active in banking, civic, charitable and fraternal affairs in our community, state and nation. He had been a source of great strength for the Bank for thirty-eight years, both as an Officer and as a Director. His wisdom and understanding will be greatly missed by all of us.

Cecil B. Reed, a Director and retired Vice President, passed away November 24, 1970. He served Terre Haute First National Bank for a period of seventy years. He was elected a Vice President in 1934, elected a Director in 1952, and retired as Vice President in 1955. Mr. Reed was active in fraternal affairs in Terre Haute and was well known in the banking community throughout Indiana and our adjacent states. His long service to our Bank will be sadly missed.

It is with deep regret and sorrow that we record the deaths of these men.

OFFICERS

JOHN J. CLEARY ..... President
DONALD E. SMITH ..... Executive Vice President
RICHARD E. CONRAD ..... Vice President and Cashier
KENNETH W. HICKMAN ..... Vice President
CHARLEY E. HENDRICKS ..... Controller and Security Officer
MARVIN K. BENNET ..... Assistant Vice President
DON LOFTON ..... Assistant Vice President
RAYMOND L. NORRIS ..... Assistant Vice President
CHARLES R. CHESSER ..... Assistant Cashier
HANS H. HENSELER ..... Assistant Cashier
DAVID L. JOHNSTON ..... Assistant Cashier
W. N. COX ..... Counsel

TRUST DEPARTMENT

KING A. FASIG ..... Vice President and Trust Officer
JACK H. PAGE ..... Assistant Cashier and Trust Officer

513 WABASH AVENUE

HAROLD V. ROST ..... Assistant Cashier and Manager

MORTGAGE LOAN DEPARTMENT

JAMES E. BROWN ..... Assistant Vice President
JAMES A. WATKINS ..... Assistant Cashier

INSTALLMENT LOAN OFFICE

EDGAR L. BROWN ..... Assistant Vice President
JERRALD L. TITUS ..... Assistant Cashier

MEADOWS CENTER

CONNOR J. SMITH ..... Assistant Vice President and Manager
STANLEY V. HART ..... Assistant Cashier

DATA PROCESSING

MARC BEESON ..... Assistant Cashier and Manager
WILLIAM H. JEFFRIES ..... Operations Manager

SOUTHLAND

DALE H. MURPHY ..... Assistant Cashier and Manager

FARM SERVICE DEPARTMENT

DAVID A. HANSON ..... Manager

WEST TERRE HAUTE

JAMES L. BLACK ..... Assistant Vice President and Manager
GERALD L. BRANHAM ..... Assistant Vice President

PLAZA NORTH

NICHOLAS J. ANDERSON ..... Assistant Cashier and Manager

SEELYVILLE

RONALD W. REAGAN ..... Assistant Cashier and Manager

SERVICES

Auto Banking
BankAmericard
Christmas Club Accounts
Commercial Banking
Computer Services
Corporation Financing
Installment Loans
Master Charge
Money Orders
Mortgage Loans and Servicing
Personalized Checking Accounts
Safe Deposit Vaults
Savings Accounts
Travelers' Checks
Trust Services
Vacation Club Accounts

BANKING CENTERS

MAIN OFFICE - 643-645 Wabash Avenue,
Terre Haute, Indiana

DOWNTOWN BRANCH -
511-513 Wabash Avenue,
Terre Haute, Indiana

MORTGAGE LOAN DEPARTMENT -
511-513 Wabash Avenue,
Terre Haute, Indiana

INSTALLMENT LOAN OFFICE -
509 Wabash Avenue,
Terre Haute, Indiana

MEADOWS CENTER BRANCH (Drive-In) -
350 South 25th Street,
Terre Haute, Indiana

DATA PROCESSING CENTER -
Suite 7C Meadows Shopping Center,
Terre Haute, Indiana

SOUTHLAND BRANCH (Drive-In) -
7th Street and Margaret Avenue,
Terre Haute, Indiana

FARM SERVICE DEPARTMENT -
7th Street and Margaret Avenue,
Terre Haute, Indiana

PLAZA NORTH BRANCH (Drive-In) -
Ft. Harrison and Lafayette Avenue,
Terre Haute, Indiana

SEELYVILLE BRANCH (Drive-In) -
Seelyville, Indiana

WEST TERRE HAUTE BRANCH (Drive-In) -
309 National Avenue,
West Terre Haute, Indiana

TERRE HAUTE FIRST NATIONAL BANK • 1972 ANNUAL REPORT

TO OUR SHAREHOLDERS:

One can only visualize that the first annual report of this bank submitted 110 years ago to a handful of shareholders must have been handwritten and presented personally in a small room at the First National Bank, whose Charter No. 47 we still hold today. In comparison, most of the figures on this, our 110th Annual Report, are automated at our Data Center, will be analyzed and compared for us by the Federal Reserve Bank of Chicago and are prepared and reported now by our Controller and his staff. I am pleased to submit these figures to you on behalf of our Board of Directors.

Politically, 1972 was a significant year with President Richard M. Nixon winning in a landslide election; the war did not end as many had predicted. Economically, the picture was bright at year end. The stock market reached an all-time high in December. Nevertheless, with controls in effect, inflation was still not entirely curbed.

It was another good year for our bank. Net income again increased, as did deposits and loans. Each reached all-time highs. An analysis of these facts is contained further in this Report.

As reported in a letter to you early in December, the Board of Directors approved a 200 per cent stock dividend, which will effect a change in the capital structure. We are hopeful approval will be given and anticipate a favorable vote by the shareholders at the Annual Meeting to be held February 20, 1973. By approving this action, our capital stock would increase from $1,080,000 to $3,240,000, with the par value of the stock to remain at $20 per share.

The retirement of one of our Vice Presidents, Connor J. Smith, became effective December 31, 1972, after 47 years with our bank. We wish him every happiness in his retirement.

Ten officers were promoted and thirteen employees were elected to new officer positions; each became effective January 1, 1973. Most significant of these is the promotion of Donald E. Smith to President and Chief Executive Officer. I will remain Chairman of the Board until my retirement April 1, 1973. My best wishes to your new President and my sincere thanks to each of you for your support during my 45 years with Terre Haute First National Bank.

Finally, the dedication with which the Directors, Officers, and Employees continue to serve the public needs for better banking services is acknowledged with grateful appreciation.

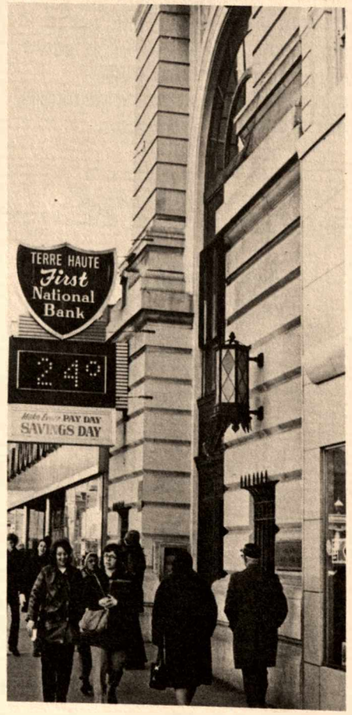
Sincerely,

John J. Cleary

John J. Cleary
President

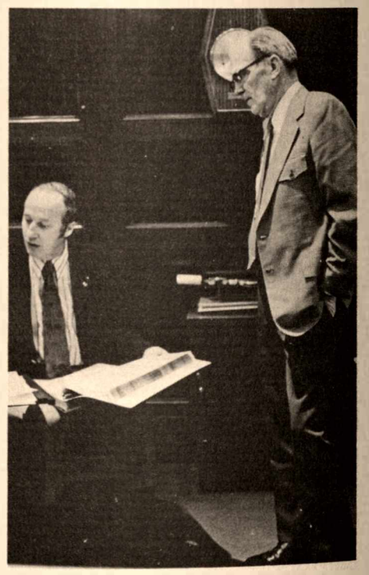
OUR YEAR IN REVIEW

DEPOSITS:
Deposits continued to grow during 1972, reaching $129,657,003.14, which is a new year end high for Terre Haute First National Bank. The increase of almost $14 million over the December 31, 1971 deposit total is represented almost entirely in time and savings deposits. The increase of 10.7 per cent exceeds last year's increase of 7 per cent. Our Bank checks continue to make it easier to pay bills and keep records; they are less expensive than money orders and safer than cash. Our checking accounts fit a variety of needs for our customers. Savings Accounts at Terre Haute First National Bank continue to earn interest at the highest allowable rates in both passbook savings and certificates of deposit.



LOANS:
Striving for new loans has been our number one goal; and we saw important developments in our installment loans during 1972. Although the Installment Loan Department was started 27 years ago, half of the $27 million total was achieved during the past two years. A phenomenal growth of almost $8 million to over $27 million in 1972 is the result of an aggressive effort in that department.
The year-end total of all loans at $71,532,338.10, as compared to a total of $58,269,360.42 in 1971, is significant evidence not only of a stronger demand for loans at Terre Haute First National Bank, but that management has looked effectively into the local market for these loans.

Commerical loans increased over $3 million to a figure of $22,296,741.09, which is an all-time high in business and commercial credit at year end. Mortgage loans continued their steady increase to $21,583,739.22. The residential mortgage market continued to be strong. If the customer specifies, we will automatically charge his checking account each month for the amount of his mortgage payment. It is important to note that both the Mortgage Loan Department and Installment Loan Department are now fully automated. In addition, your Bank offers both Master Charge and BankAmericard services.



INVESTMENTS:
We maintained our securities holdings during the year at approximately the same figure as year end 1971. The investment portfolio was reconstructed somewhat to take advantage of the changing interest rates. By year end, the Municipal securities had an average maturity of six years, while our U.S. Government and government agency securities had an average maturity of two years. We continued to invest in the Federal Funds market in 1972.

PROFITS:
Earnings continued to increase at Terre Haute First National Bank. For the year ended 1972 we reported $1,455,329.61, as compared to $1,218,598.55 at 1971 year end. Net earnings per share of common stock rose from $22.57 in 1971 to $26.95 in 1972. Our continued and increased profitability in the banking field depends on our ability to obtain adequate income and reduce costs in all areas for effective use of the **First** dollar.

TRUST SERVICES:
The Trust Department has experienced another good year with total assets slightly greater than year end 1971. The number of trust accounts has increased; income was up 35 per cent. Approximately 100,000 shares of stock and over $50 million par value of bonds were bought and sold during the year. Automation of the Trust Department was accomplished late in the year and is expected to provide significant benefits to the Bank and to its trust customers.

DATA CENTER:
Under new management beginning in 1973, the Data Center continues to serve many of the departments of the Bank as work continues toward full automation during the next year. Because of the increased need, we had an IBM 370 computer installed during the last weekend in 1972. With its great size and speed, we will have all Bank departments fully automated soon. The Center also continues to serve other banks and customers in our area with its many diversified programs.

PERSONNEL:
The successful implementation of our goal-reaching projects in 1973 would not be possible without sound management structure. The following officers have been promoted, effective January 1, 1973.

Donald E. Smith
President and Chief Executive Officer

Richard E. Conrad
Senior Vice President and Cashier

Hans H. Henseler
Assistant Vice President - Personnel

Ray G. Ingram
Assistant Vice President - Investments

David L. Johnston
Assistant Vice President

James A. Watkins
Assistant Vice President - Mortgage Loan Dept.

Jerrald L. Titus
Assistant Vice President - Installment Loan Dept.

Harold V. Rost
Assistant Vice President and Branch Manager

Stanley V. Hart
Assistant Vice President and Branch Manager

Dale H. Murphy
Assistant Vice President and Branch Manager

The following employees were elected to serve in the following capacities:

Janet Masters
Assistant Cashier

Vernon M. Cook
Assistant Cashier - Mortgage Loan Dept.

Larry W. Howard
Assistant Cashier - Installment Loan Dept.

Lawrence W. Schopmeyer
Assistant Cashier - Installment Loan Dept.

William B. Adams
Installment Loan Officer

Morris G. Crumrin
Installment Loan Officer

Leland S. Sutherland
Installment Loan Officer

Jerry L. Williams
Assistant Installment Loan Officer

Jane Washburn
Assistant Cashier

Kenneth D. Doades
Assistant Cashier

Patty Mundell
Bookkeeping Manager

Merle M. Allen
Assistant Cashier

David B. Ballinger
Assistant Branch Manager

Our officers and employees are encouraged to continue their education in the banking field by attending seminars and schools. Two officers now are enrolled at the Wisconsin School of Banking, at Madison, Wisconsin. The second annual service award presentation dinner was held December 14, and was attended by over 300 directors, officers, employees, and guests. Twenty-seven employees and officers received service awards. John J. Cleary was presented a 45-year diamond service pin, and Helen Mace received a pearl pin for 35 years of service. Director Charles H. Hutchins was awarded a ten-year service pin.

Management ordered a marketing survey of banking in the local area in the fall of 1972. One outgrowth of this survey was the employment of Keller Crescent Company of Evansville, Indiana, to develop advertising and marketing at Terre Haute First National Bank, effective January 1, 1973.
As we mentioned to you last year, the Bank purchased the parking lot directly behind its Main Office for customer parking convenience. During 1972 we purchased additional property located East of the 513 Branch now being occupied by Avco Financial Corporation, which space will be used to expand the facilities of the Installment Loan Department. The property at our 513 branch has been improved so that free customer parking is now available.

1972 FINANCIAL SUMMARY

STATEMENT OF CONDITION

As of December 31

ASSETS:	1972	1971
Cash and due from banks	$ 16,807,909.45	$ 17,943,865.01
Investment securities.		
U.S. Treasury	23,676,154.43	23,698,123.18
Other U.S. Government agencies	6,584,089.85	6,886,099.15
State and municipal	15,248,001.48	13,342,353.03
Other	205,001.00	205,001.00
Total Investment Securities	$ 62,521,156.21	$ 62,075,441.37
Federal Funds sold	11,400,000.00	7,500,000.00
Loans	71,532,388.10	58,269,360.42
Bank premises and equipment	1,394,006.72	1,350,436.11
Accrued interest receivable and other assets	1,379,303.54	1,133,473.75
Total Assets	$148,226,854.57	$130,328,711.65
Trust securities	46,529,439.87	45,460,968.29
Total Assets and Trust Securities	$194,756,294.44	$175,789,679.94
LIABILITIES		
Deposits		
Demand	$ 56,592,821.71	$ 56,617,954.69
Time	73,064,181.43	59,217,029.99
Total Deposits	$129,657,003.14	$115,834,984.68
Federal Funds purchased	2,100,000.00	600,000.00
Unearned discount & other liabilities	5,195,370.91	3,777,576.06
Total Liabilities	$136,952,374.05	$120,212,560.74
Reserve for possible loan losses	$ 1,107,533.47	$ 1,107,533.47
CAPITAL		
Common stock, par value $20.00 a share:		
Issued & outstanding 54,000 shares	$ 1,080,000.00	$ 1,080,000.00
Surplus	5,420,000.00	5,420,000.00
Undivided profits	3,566,947.05	2,408,617.44
Reserve for contingencies	100,000.00	100,000.00
Total Capital	$10,166,947.05	9,008,617.44*
Total bank liabilities reserves, and capital	$148,226,854.57	$130,328,711.65
Trust investments	46,529,439.87	45,460,968.29
Total Bank Liabilities, Reserves, Capital and Trust Investments	$194,756,294.44	$175,789,679.94

*Restated Correctly

STATEMENT OF INCOME

For Year Ending December 31

OPERATING INCOME	1972	1971
Interest and fees on loans	$5,065,379.42	$4,024,689.81
Income on Federal Funds sold	391,409.49	455,975.10
Interest and dividends:		
U.S. Treasury securities	1,536,503.60	1,545,016.67
Other U.S. Government securities	330,645.16	358,432.54
State and municipal securities	545,085.29	465,074.58
Other securities	12,099.60	11,299.24
Trust Department income	199,436.75	147,633.24
Service charges on deposit accounts	213,052.43	188,601.66
Other service charges	243,374.32	106,556.39
Other operating income	55,058.21	105,180.51
Total Operating Income	$8,592,044.27	$7,408,459.74
OPERATING EXPENSES		
Salaries and wages	$1,375,711.89	$1,262,832.17
Pensions and other employee benefits	257,174.78	242,611.89
Interest on deposits	2,913,064.63	2,510,592.58
Expense on Federal Funds purchased	96,029.61	82,173.67
Interest on borrowed money	None	None
Net occupancy expenses -- Bank premises	339,472.60	224,914.91
Furniture and equipment depreciation, rental costs, and maintenance	303,859.31	295,820.94
Provision for possible loan losses	100,535.81	55,964.79
Other operating expenses	1,118,180.05	1,005,817.52
Total Operating Expenses	$6,504,028.68	$5,680,728.47
Income before income taxes and securities gains or losses	$2,088,015.59	$1,727,731.27
Federal income taxes	634,005.00	525,785.24
Income before securities gains or losses	$1,454,010.59	$1,201,946.03
Securities gains or (losses), net of income tax effect of $1,884.32 in 1972 and $28,748.84 in 1971	1,319.02	16,652.52
Net Income	$1,455,329.61	$1,218,598.55
Earnings per share of common stock:		
Income before securities gains	$ 26.93	$ 22.26
Securities gains or losses	.02	.31
Net Income	$ 26.95	$ 22.57

STATEMENT OF CONDITION

As of December 31

	1972	1971
ASSETS:		
Cash and due from banks	$ 16,807,909.45	$ 17,943,865.01
Investment securities.		
U.S. Treasury	23,676,154.43	23,698,123.18
Other U.S. Government agencies	6,584,089.85	6,886,099.15
State and municipal	15,248,001.48	13,342,353.03
Other	205,001.00	205,001.00
Total Investment Securities	$ 62,521,156.21	$ 62,075,441.37
Federal Funds sold	11,400,000.00	7,500,000.00
Loans	71,532,388.10	58,269,360.42
Bank premises and equipment	1,394,006.72	1,350,436.11
Accrued interest receivable and other assets	1,379,303.54	1,133,473.75
Total Assets	$148,226,854.57	$130,328,711.65
Trust securities	46,529,439.87	45,460,968.29
Total Assets and Trust Securities	$194,756,294.44	$175,789,679.94
LIABILITIES		
Deposits		
Demand	$ 56,592,821.71	$ 56,617,954.69
Time	73,064,181.43	59,217,029.99
Total Deposits	$129,657,003.14	$115,834,984.68
Federal Funds purchased	2,100,000.00	600,000.00
Unearned discount & other liabilities	5,195,370.91	3,777,576.06
Total Liabilities	$136,952,374.05	$120,212,560.74
Reserve for possible loan losses	$ 1,107,533.47	$ 1,107,533.47
CAPITAL		
Common stock, par value $20.00 a share: Issued & outstanding 54,000 shares	$ 1,080,000.00	$ 1,080,000.00
Surplus	5,420,000.00	5,420,000.00
Undivided profits	3,566,947.05	2,408,617.44
Reserve for contingencies	100,000.00	100,000.00
Total Capital	$10,166,947.05	9,008,617.44*
Total bank liabilities reserves, and capital	$148,226,854.57	$130,328,711.65
Trust investments	46,529,439.87	45,460,968.29
Total Bank Liabilities, Reserves, Capital and Trust Investments	$194,756,294.44	$175,789,679.94

*Restated Correctly

COMPARATIVE SUMMARY

	1970	1969	1968
ASSETS:			
Cash and due from banks	$ 16,945,796.27	$ 13,487,093.65	$ 16,442,215.85
Investment securities.			
U.S. Treasury	21,635,244.00	21,342,436.50	25,870,717.75
Other U.S. Government agencies	5,711,350.00	5,711,350.00	5,698,125.00
State and municipal	10,603,463.80	10,431,905.88	10,074,863.94
Other	160,001.00	160,001.00	160,001.00
Total Investment Securities	$ 55,055,855.07	$ 51,132,787.03	$ 58,245,923.54
Federal Funds sold	14,000,000.00	8,100,000.00	1,000,000.00
Loans	48,663,837.97	49,658,559.61	39,211,368.63
Bank premises and equipment	1,201,104.30	1,239,697.00	1,064,218.99
Accrued interest receivable and other assets	1,052,686.24	698,531.15	672,668.60
Total Assets	$119,973,483.58	$110,829,574.79	$100,194,179.76
Trust securities	47,043,881.27	51,040,694.98	38,489,736.37
Total Assets and Trust Securities	$167,017,364.85	$161,870,269.77	$138,683,916.13
LIABILITIES			
Deposits			
Demand	$ 56,622,054.40	$ 48,709,491.67	$ 46,531,506.92
Time	50,908,051.49	49,148,732.53	45,742,600.05
Total Deposits	$107,530,105.89	$ 97,858,224.20	$ 92,274,106.97
Federal Funds purchased	1,000,000.00	2,700,000.00	-0-
Unearned discount & other liabilities	2,275,825.33	1,931,050.84	1,230,597.82
Total Liabilities	$110,805,931.22	$102,489,275.04	$ 93,504,704.79
Reserve for possible loan losses	$ 1,107,533.47	$1,124,074.60	$ 911,155.07
CAPITAL			
Common stock, par value $20.00 a share: Issued & outstanding 54,000 shares	$ 1,080,000.00	$ 1,080,000.00	$ 1,080,000.00
Surplus	3,920,000.00	3,920,000.00	3,920,000.00
Undivided profits	2,960,018.89	2,116,225.15	1,524,605.51
Reserve for contingencies	100,000.00	100,000.00	100,000.00
Total Capital	$8,060,018.89	$ 7,216,225.15	$ 6,624,605.51
Total bank liabilities reserves, and capital	$119,973,483.58	$110,829,574.79	$101,040,465.37
Trust investments	47,043,881.27	51,040,694.98	38,489,736.37
Total Bank Liabilities, Reserves, Capital and Trust Investments	$167,017,364.85	$161,870,269.77	$139,530,201.74

RECONCILEMENT OF CAPITAL ACCOUNTS

	December 31, 1972	December 31, 1971
Balance at beginning of year per books	$9,008,617.44	$8,060,018.89
Add net income for the year	1,455,329.61	1,218,598.55
Deduct cash dividends declared (per share 1972 - $5.50; 1971 - $5.00)	297,000.00	270,000.00
Balance at End of Year	$10,166,947.05	$ 9,008,617.44

RESERVE FOR POSSIBLE LOAN LOSSES

Balance at beginning of year	$ 1,107,533.47	$ 1,107,533.47
Additions:		
Recovery of loans previously charged-off	38,180.16	33,846.20
Provision for possible loan losses	100,535.81	55,964.79
	$1,246,249.44	$1,197,344.46
Loans charged-off (deduction)	(138,715.97)	(89,810.99)
Balance at End of Year	$1,107,533.47	$1,107,533.47

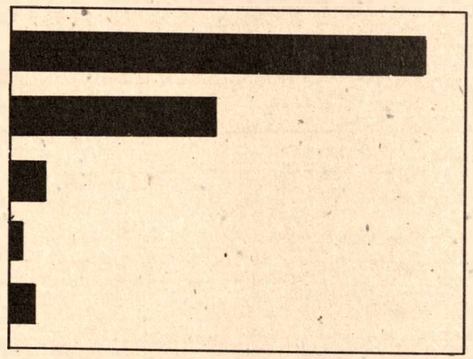
RESERVE ON SECURITIES

Balance at beginning of year	-0-	-0-
Additions:		
Recovery of securities previously charged-off	-0-	-0-
Provision for possible security losses	$ 29,896.95	-0-
	$ 29,896.95	-0-
Securities charged off (deductions)	(29,896.95)	
Balance at End of Year	-0-	-0-

THE 1972 OPERATING DOLLAR

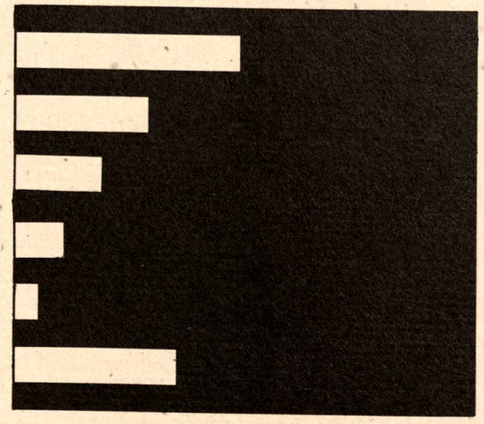
HOW EARNED

Income on Loans	59.0%
Income on Investments	28.2
Income on Federal Funds Sold	4.6
Trust Fees	2.3
Other Income	5.9
	100.0%



HOW USED

Interest Paid on Deposits	34.0%
Salaries and Employees Benefits	19.0
Retained Earnings	13.4
Federal Income Taxes	7.4
Dividends	3.4
Other Expenses	22.8
	100.0%



DIRECTORS

Walter A. Bledsoe
Investments

John J. Cleary
President,
Terre Haute First National Bank

Wilson N. Cox
Attorney at Law

Welby M. Frantz
Vice Chairman, Eastern Express, Inc.

Anton Hulman, Jr.
President, Hulman & Company

Charles H. Hutchins
President, Naples Metropolitan Enterprises, Inc.

Edward B. Ijams
Investments

Richard W. Kelly
President, Bituminous Materials, Inc.

William A. Niemeyer
President, Lovelace Truck Service, Inc.

John W. Ragle
President, Graham Grain Co., Inc.

Donald E. Smith
Executive Vice President,
Terre Haute First National Bank

Henry P. Smith
President, Deep Vein Coal Company

Mr. Ijams Mr. Bledsoe Mr. Ragle Mr. Kelly Mr. Niemeyer Mr. Hutchins Mr. Frantz
Mr. Hulman Mr. Cleary Mr. D. E. Smith Mr. Cox Mr. H. P. Smith

OFFICERS

John J. Cleary
President

Donald E. Smith
Executive Vice President

Richard E. Conrad
Vice President and Cashier

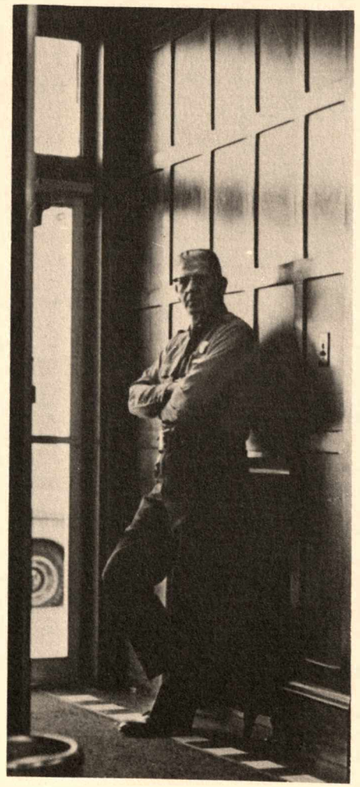
Charley E. Hendricks
Controller and Security Officer

Don Lofton
Assistant Vice President

Raymond L. Norris
Assistant Vice President

Charles R. Chesser
Assistant Cashier

Hans H. Henseler
Assistant Cashier



David L. Johnston
Assistant Cashier

Richard O. White
Auditor

W. N. Cox
Counsel

TRUST DEPARTMENT
King A. Fasig
Vice President and Trust Officer

Jack H. Page
Assistant Cashier and Trust Officer

513 WABASH AVENUE
Harold V. Rost
Assistant Cashier and Manager

MORTGAGE LOAN DEPARTMENT
James E. Brown
Vice President

James A. Watkins
Assistant Cashier

INSTALLMENT LOAN OFFICE
Edgar L. Brown
Vice President

Jerrald L. Titus
Assistant Cashier

MEADOWS CENTER
Connor J. Smith
Vice President and Manager

Stanley V. Hart
Assistant Cashier

DATA PROCESSING
Marc Beeson
Assistant Cashier and Manager

William H. Jeffries
Service Representative

SOUTHLAND
Dale H. Murphy
Assistant Cashier and Manager

FARM SERVICE DEPARTMENT
David A. Hanson
Assistant Cashier and Manager, Farm Services and BankAmericard

WEST TERRE HAUTE
James L. Black
Assistant Vice President and Manager

Miss Gerald L. Branham
Assistant Vice President

PLAZA NORTH
Nicholas J. Anderson
Assistant Cashier and Manager

SEELYVILLE
Ronald W. Reagan
Assistant Cashier and Manager

BANKING CENTERS AND SERVICES

MAIN OFFICE
643-645 Wabash Avenue,
Terre Haute, Indiana

DOWNTOWN BRANCH
511-513 Wabash Avenue,
Terre Haute, Indiana

MORTGAGE LOAN DEPARTMENT
511-513 Wabash Avenue,
Terre Haute, Indiana

INSTALLMENT LOAN OFFICE
509 Wabash Avenue,
Terre Haute, Indiana

MEADOWS CENTER BRANCH
(Drive-In)
350 South 25th Street,
Terre Haute, Indiana

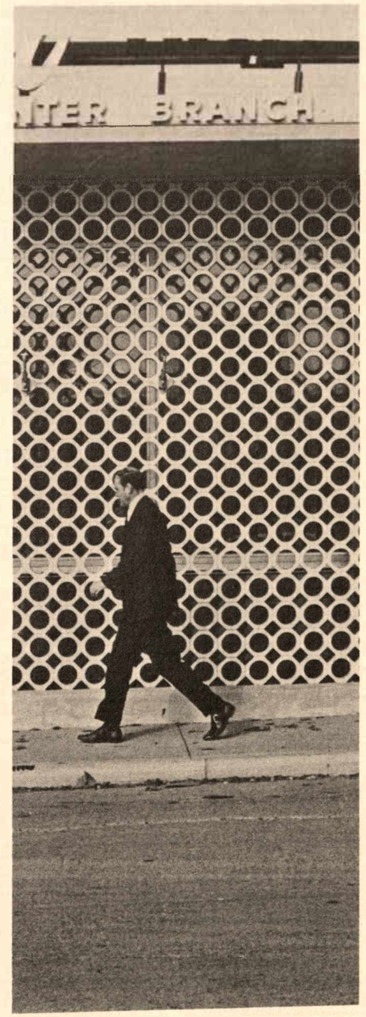
DATA PROCESSING CENTER
Suite 7C Meadows Shopping Center,
Terre Haute, Indiana

SOUTHLAND BRANCH (Drive-In)
7th Street and Margaret Avenue,
Terre Haute, Indiana

PLAZA NORTH BRANCH (Drive-In)
Ft. Harrison and Lafayette Avenues,
Terre Haute, Indiana

SEELYVILLE BRANCH (Drive-In)
Seelyville, Indiana

WEST TERRE HAUTE BRANCH
(Drive-In)
309 National Avenue,
West Terre Haute, Indiana



SERVICES

Auto Banking
BankAmericard
Bank By Mail
Certificates of Deposit
Checking Accounts
Christmas Club Accounts
Commercial Loans
Computer Services
Installment Loans
Master Charge
Money Orders
Mortgage Loans and Servicing
Night Depository
Safe Deposit Vaults
Savings Accounts
Travelers' Checks
Trust Services
U.S. Savings Bonds
Vacation Club Accounts

First Puts You Ahead

Banks and Banking (T.H.)

Terre Haute First National Bank ANNUAL REPORT

1974

FINANCIAL HIGHLIGHTS

For the Year:	1974	1973	% Change
Operating Income	$ 13,351,043	$ 10,544,002	+26.6
Operating Expenses	11,040,388	8,354,892	+32.1
Net Operating Income After Securities Gains - Note E	1,838,450	1,506,751	+14.8
Net Operating Income per Share	11.35	9.30	+14.8
Dividends Declared	445,500	364,500	+22.2
Cash Dividends Paid per Share	2.50	2.00	+25.0
Interest Paid Depositors	5,846,151	4,197,060	+39.3
At Year End:			
Assets	181,030,417	173,914,093	+ 4.1
Deposits	158,283,587	145,991,359	+ 8.4
Loans (including Mortgages)	92,912,726	78,417,617	+18.5
Investments	56,369,902	46,001,861	+22.5
Capital Funds (excluding Reserve for Losses)	12,743,323	11,309,198	+12.7
Book Value of Stock	78.66	69.81	+12.7
Number of Shares Outstanding	162,000	162,000	-0-
Number of Shareholders	356	362	- 1.7
Number of Officers and Employees	274	238	+15.1

To Our Shareholders, Customers and Staff:

Change and challenge are key words to describe the environment in which the banking system operated during 1974. In no other year has our political and economic institutions found the challenges that resulted from the significant events of 1974. The change in our national administration, inflation, the energy crisis, rising unemployment, and a restrictive monetary policy interacted in various ways to affect the lives of all Americans. Yet, with all these factors affecting our economy, we can look with pride at the resiliency and strength of our economic system. The ability of management to work effectively in such a rapidly changing environment has continued the success of our Bank.

In this light, I am pleased to report the continued success of Terre Haute First National Bank in 1974. During the year total assets increased by 4.1 per cent, to a total of $181,030,417 by the end of the year. More importantly our net income increased by 14.8 per cent, to a record $1,838,450. As a result, an extra $.50 per share dividend in addition to the regular $1.00 payment was declared at the November 1974 Directors' meeting payable in January 1975, increasing total dividends declared to $445,500 for the year. Our book value increased from $69.81 per share to $78.66, based on 162,000 shares outstanding.

As reported in last year's letter to you, we were very optimistic about our new statement savings account called "THE EARNER." I am pleased to report that this has been one of the most successful programs ever developed and adopted by our Bank. The success of this program is attributed to the skills of the officers and employees who worked on this major project.

In September 1974 we opened our new Maple Avenue branch. This attractive and very efficient facility will serve the expanding northeast quadrant of our community. New kiosk units have been installed at our Meadows and Southland branches with a resultant easing of the traffic congestion. Our West Terre Haute and Southland branches have been remodeled to better serve our customers in these areas.

In November among the advancements at our Bank was the promotion of Ray G. Ingram to Administrative Vice President; earlier in the year, John W. Perry was hired in a new position as Vice President-Finance. Also in November, six employees were elected officers effective January 1, 1975. Mary Joyce Brokaw, John Haag, Michael F. Holmes, Albert R. Monniger, and Frances Perdieu were promoted to Assistant Cashier, and Cary W. Sparks was elected Assistant Trust Officer. In December, Robert D. Gibbons was elected by the Board as Assistant Cashier-Customer Investment Officer. We are pleased to report these promotions and advancements to you.

As with any successful organization, the dedication and ability of the directors, officers and employees have been the key to our growth and advancement during 1974. We look with guarded optimism at our prospects in the uncertain economy of 1975. Our goal is to continue the public needs for better banking services in the Wabash Valley. Our thanks go to you, our stockholders, for the support that you have given your Bank in the years past and we look forward to serving you in the years ahead.

Respectfully submitted

Donald E. Smith

Donald E. Smith
President

STATEMENT OF CONDITION
As of December 31

ASSETS	1974	1973
Cash and due from banks	$19,338,161	$21,653,266
Investment securities		
U.S. Treasury	18,081,915	19,752,663
Other U.S. Government agencies	5,110,129	6,010,129
State and Municipal	26,908,058	19,969,269
Other	6,269,800	269,800
Total Investment Securities	$56,369,902	$46,001,861
Federal Funds sold	7,900,000	24,700,000
Loans	92,912,726	78,417,618
Bank premises and equipment - Note C	2,053,467	1,384,496
Accrued interest receivable and other assets	2,456,161	1,756,852
Total Assets	$181,030,417	$173,914,093
LIABILITIES		
Deposits		
Demand	$ 53,120,945	$ 58,967,554
Time	105,162,642	87,023,806
Total Deposits	$158,283,587	$145,991,360
Federal Funds purchased	2,030,777	9,000,000
Unearned discount & other liabilities	6,531,166	6,383,255
Total Liabilities	$166,845,530	$161,374,615
RESERVE FOR POSSIBLE LOAN LOSSES - Note D	$ 1,441,564	$ 1,230,280
CAPITAL		
Common stock, par value $20.00 a share:		
Authorized, issued & outstanding 162,000 shares	$ 3,240,000	$ 3,240,000
Surplus	5,420,000	5,420,000
Undivided profits	3,983,323	2,549,198
Reserve for contingencies	100,000	100,000
Total Capital	$12,743,323	$11,309,198
TOTAL LIABILITIES RESERVES, AND CAPITAL	$181,030,417	$173,914,093

See Notes to Financial Statements

COMPARATIVE SUMMARY
As of December 31

1972	1971	1970	1969
$ 16,807,909	$ 17,943,865	$ 16,945,796	$ 13,487,094
23,676,154	23,698,123	21,635,244	21,342,436
6,584,090	6,886,099	5,711,350	5,711,350
15,248,002	13,342,353	10,603,464	10,431,906
205,001	205,001	160,001	160,001
$ 45,713,247	$ 44,131,576	$ 38,110,059	$ 37,645,693
11,400,000	7,500,000	14,000,000	8,100,000
71,532,388	58,269,360	48,663,838	49,658,560
1,394,007	1,350,436	1,201,104	1,239,697
1,379,304	1,133,474	1,052,686	698,531
$148,226,855	$130,328,711	$119,973,483	$110,829,575
$ 56,592,822	$ 56,617,955	$ 56,622,054	$ 48,709,492
73,064,181	59,217,030	50,908,052	49,148,732
$129,657,003	$115,834,985	$107,530,106	$ 97,858,224
2,100,000	600,000	1,000,000	2,700,000
5,195,371	3,777,576	2,275,825	1,931,051
$136,952,374	$120,212,561	$110,805,931	$102,489,275
1,107,534	1,107,533	1,107,533	1,124,075
$ 1,080,000*	$ 1,080,000*	$ 1,080,000*	$ 1,080,000*
5,420,000	5,420,000	3,920,000	3,920,000
3,566,947	2,408,617	2,960,019	2,116,225
100,000	100,000	100,000	100,000
$ 10,166,947	$ 9,008,617	$ 8,060,019	$ 7,216,225
$148,226,855	$130,328,711	$119,973,483	$110,829,575

*54,000 Shares Authorized, Issued & Outstanding.

STATEMENT OF INCOME For Year Ending December 31

OPERATING INCOME	1974	1973
Interest and fees on loans	$ 8,041,818	$ 6,234,929
Income on Federal Funds sold	1,579,444	888,995
Interest and dividends on Investment Securities:		
U.S. Treasury securities	1,233,219	1,390,593
Other U.S. Government securities	456,305	407,085
State and municipal securities	1,262,408	669,536
Other securities	52,660	13,563
Trust Department income	184,796	164,854
Service charges on deposit accounts	242,341	222,071
Other service charges and fees	218,769	294,395
Other operating income	79,283	257,982
TOTAL OPERATING INCOME	$13,351,043	$10,544,003
OPERATING EXPENSES		
Salaries and wages	$ 1,745,599	$ 1,476,353
Pensions and other employee benefits - Note G	412,378	308,717
Interest on deposits	5,846,151	4,197,061
Expense on Federal Funds purchased	659,154	194,115
Interest on borrowed money	NONE	NONE
Occupancy expense of Bank premises	256,402	181,894
Equipment depreciation, rentals and maintenance	356,782	319,982
Provision for possible loan losses	231,818	302,365
Other operating expenses	1,532,104	1,374,405
TOTAL OPERATING EXPENSES	$11,040,388	$ 8,354,892
Income before income taxes and securities gains	$ 2,310,655	$ 2,189,111
Federal income taxes - Note F	478,638	692,747
Income before securities gains	$ 1,832,017	$ 1,496,364
Securities gains net of income tax effect of $5,938 in 1974 and $7,530 in 1973.	$ 6,433	$ 10,387
NET INCOME - Note E	$ 1,838,450	$ 1,506,751
Earnings per share of common stock		
Income before securities gains	$ 11.31	$ 9.24
Securities gains or losses	.04	.06
Net Income	$ 11.35	$ 9.30

See Notes to Financial Statements

STATEMENT OF CHANGES IN CAPITAL ACCOUNTS
Years Ended December 31, 1974 and 1973

	Capital Stock	Surplus	Undivided Profits	Total
Balance at January 1, 1973	$1,080,000	$5,420,000	$3,666,947	$10,166,947
Net Income	.	.	1,506,751	1,506,751
Stock Dividend	2,160,000	.	(2,160,000)	0
Cash Dividends - $2.25 per share	.	.	(364,500)	(364,500)
Balance at December 31, 1973 as reported	$3,240,000	$5,420,000	$2,649,198	$11,309,198
Adjustments to Undivided Profits - Note E	.	.	172,392	172,392
Balance at December 31, 1973 as adjusted	$3,240,000	$5,420,000	$2,821,590	$11,481,590
Net Income	.	.	1,838,450	1,838,450
Cash Dividends - $2.75 per share	.	.	(445,500)	(445,500)
Transfer to reserve for possible Loan losses (net of related tax effect of $121,123)	.	.	(131,217)	(131,217)
Balance at December 31, 1974	$3,240,000	$5,420,000	$4,083,323	$12,743,323

See Notes to Financial Statements

STATEMENTS OF CHANGES IN FINANCIAL POSITION

Years Ended December 31, 1974 and 1973.

SOURCE OF FUNDS

	1974	1973
From Operations:		
Net Income	$ 1,838,450	$ 1,506,751
Depreciation and Amortization of Bank Premises and Equipment	156,576	128,462
Provision of Loan Losses	231,818	302,365
Deferred Federal Income Taxes	121,123	-0-
Other	95,832	41,512
Funds Provided from Operations	$ 2,443,799	$ 1,979,090
Increases in:		
Deposits	12,292,227	16,334,356
Federal Funds Purchased	(6,969,223)	6,900,000
Other Liabilities	147,911	1,187,854
TOTAL	$ 7,914,714	$26,401,300

APPLICATION OF FUNDS

Increases in:		
Investment Securities	$10,368,041	$ 288,615
Federal Funds Sold	(16,800,000)	13,300,000
Loans	14,495,108	6,885,230
Cash and Due From Banks	(2,265,105)	4,845,356
Bank Premises and Equipment	668,971	(9,511)
Other Assets	699,309	368,038
Cash Dividends Declared	445,500	364,500
Other	302,890	359,072
TOTAL	$ 7,914,714	$26,401,300

See Notes To Financial Statements

NOTES TO FINANCIAL STATEMENTS

NOTE A - Accounting Policies

The accounting and reporting policies of the Bank conform with generally accepted accounting principles and to general practices within the banking industry. The Bank is on the accrual basis of accounting except for trust fees. The following is a description of the more significant of those policies:

Securities

Investment securities are stated at cost adjusted for amortization of premiums computed by the straight-line method. Amortization of discounts (accretion) is not recognized, but is recorded as income to the extent realized in the year such securities are sold or mature.

Loans

Loans and discounts are stated at principal outstanding, and principal outstanding plus unearned discount. Interest income from consumer-type installment loans is amortized on the sum-of-the-months-digits method.

Reserve for Loan Losses

The Bank follows the policy of providing additions to the reserve for possible loan losses in accordance with the maximum amount allowable under Internal Revenue Service regulations. For financial reporting purposes, the provision charged as an operating expense is based on the moving average ratio of net charge-offs to total loans, which is a formula prescribed by regulatory authorities to determine a minimum charge to operating expense. The difference between the provision charged to operating expenses and the maximum deduction allowed for income tax purposes, net of related income taxes, is charged to undivided profits.

Bank Premises and Equipment

Bank premises, equipment, and leasehold improvements are stated at cost, less accumulated depreciation and amortization. Depreciation is charged to operating expense over the estimated useful lives of the assets and is computed on the declining-balance and straight-line method.

Income Taxes

Federal Income taxes in the statement of income relates to the income and expenses shown in the statement. Deferred income tax has been provided in the financial statements to recognize the tax effects arising from the timing differences in recording the provision for possible loan losses for accounting purposes and in reporting such items for tax purposes.

The Bank uses the "flow-through" method in accounting for investment credits as a reduction of income tax expense in the year the credits arise.

NOTE B - Pledged Assets

At December 31, 1974 assets stated at $15,026,000 were pledged to secure government, public and trust deposits as required by law; at December 31, 1973 the corresponding amount was $10,055,000.

NOTE C - Bank Premises and Equipment

Following is a summary of the Bank premises and equipment by asset classification:

	1974	1973
Land	$ 624,239	$ 473,279
Buildings and Improvements	1,944,940	1,387,787
Equipment	849,041	723,587
Total Cost	3,418,220	2,584,653
Less accumulated depreciation & amortization	1,364,753	1,200,157
Net Book Value	$2,053,467	$1,384,496

Depreciation expense for 1974 and 1973 amounted to $156,576 and $128,462 respectively.

NOTE D - Reserve for Possible Loan Losses

Following is an analysis of the reserve for possible loan losses:

	1974	1973
Balance at beginning of year	$1,230,280	$1,107,533
Additions charged to:		
Operating Expense	170,482	118,630
Addition to Operating Expense	61,336	190,393
Undivided Profits	131,217	-0-
Deferred taxes	121,123	-0-
	$1,714,438	$1,416,556
Deductions		
Loans charge off (net of recoveries of $45,354 in 1974 and $59,787 in 1973)	234,977	186,276
Adjustment per IRS Examination	37,897	-0-
Balance at end of year	$1,441,564	$1,230,280

Following is the composition of the reserves for possible loan losses at the respective year-end:

	1974	1973
Valuation portion	$1,189,224	$1,230,280
Contingency portion	131,217	-0-
Deferred tax portion	121,123	-0-
	$1,441,564	$1,230,280

NOTE E - Adjustments to Undivided Profits

The undivided profits at December 31, 1973, have been adjusted to reflect the effect of the adjustment in accrued interest expense, net of Federal Income Taxes, of $140,667 and capitalization adjustment of items as a result of an Internal Revenue Service examination. The net effect is to increase reported net income from $1,506,751 to $1,601,328 for the year ended December 31, 1973.

NOTE F - Federal Income Taxes

Deferred taxes are included in the reserve for possible loan losses. Income tax expense includes deferred taxes of approximately $121,123 for 1974. The customary relationship of federal income tax expense to income before federal income taxes is affected principally by nontaxable interest from municipal securities and loans, and investment tax credits. The investment credits amounted to approximately $18,000 and $4,000 for 1974 and 1973 respectively.

NOTE G - Retirement Plan

The total expenses of the plan, including normal costs and amortization of past service costs were $165,342 and $152,395 for 1974 and 1973, respectively. The actuarially computed value of vested benefits exceeded the total of the retirement fund assets by $250,333 at December 31, 1974. The unfunded portion of past service costs under the plan was estimated by actuaries to be $580,047 at December 31, 1974.

NOTE H - Commitments and Contingent Liability

The Bank was lessee of land and various banking premises under noncancelable long-term lease agreements which provide for approximate aggregate minimum rentals as follows:

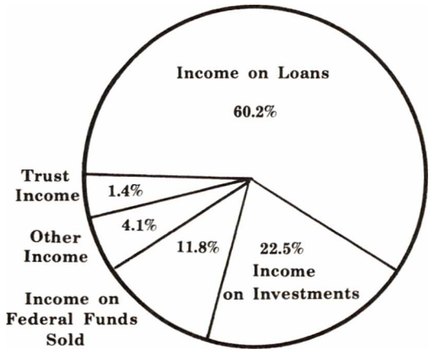
1975	$ 21,026
1976	21,026
1977	21,026
1977	21,026
1978	21,976
1979	25,198
1980-84	117,640
1985-89	98,500
Remainder	45,000

The Bank charged to operations rentals on bank premises and equipment of $278,279 and $270,750 for 1974 and 1973, respectively.

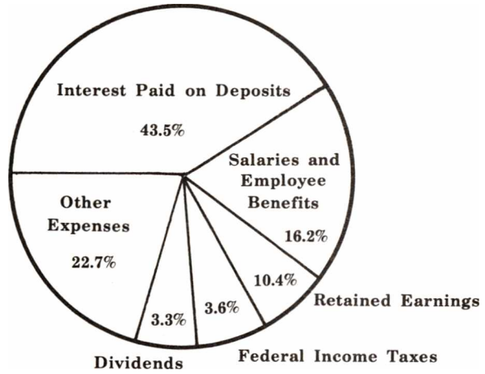
Unused balances of customers letters of credit, aggregating $42,000 and $21,000 at December 31, 1974 and 1973, for which the Bank and its customers are contingently liable.

THE 1974 OPERATING DOLLAR

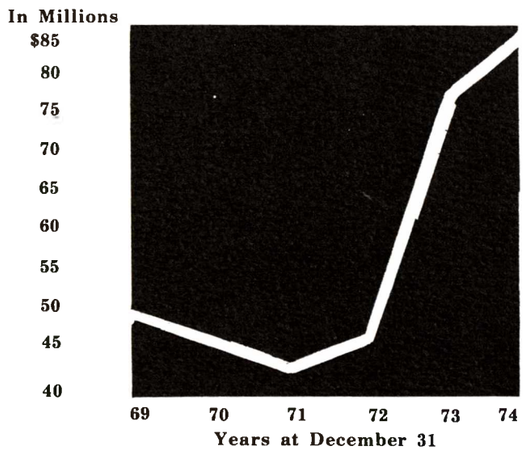
HOW EARNED



HOW USED



COMPARISON OF BOOK VALUE OF TRUST ASSETS



The Trust Department has completed its second year of being fully automated. Without automation the Department could not have achieved the tremendous growth it has experienced the last two years. Book value of trust assets for the year 1974 increased by approximately $8,000,000 or 10.5 percent to $84,208,256 at year end.

DIRECTORS

Walter A. Bledsoe, *Investments*
John J. Cleary, *Retired*
Richard E. Conrad, *Senior Vice President & Cashier*
Wilson N. Cox, *Attorney at Law*
Welby M. Frantz, *Vice Chairman, Eastern Express, Inc.*
Anton Hulman, Jr., *President, Hulman & Company*
Charles H. Hutchins, *President, Naples Metropolitan Enterprises, Inc.*
Edward B. Ijams, *Investments*
Richard W. Kelly, *Chairman, Bituminous Materials Co., Inc.*
William A. Niemeyer, *President, Lovelace Truck Service, Inc.*
Patrick O'Leary, *President, Terre Haute Concrete Supply Corp.*
John W. Ragle, *President, Graham Grain Co., Inc.*
Donald E. Smith, *President & Chief Executive Officer.*
Henry P. Smith, *President, Deep Vein Coal Company*

OFFICERS

643-645 WABASH AVENUE
DONALD E. SMITH, *President & Chief Executive Officer*
RICHARD E. CONRAD, *Senior Vice President & Cashier*
KING A. FASIG, *Vice President & Trust Officer*
RAY G. INGRAM, *Administrative Vice President*
JOHN W. PERRY, *Vice President*
CHARLEY E. HENDRICKS, *Controller*
RAYMOND L. NORRIS, *Asst. Vice President*
JACK H. PAGE, *Asst. Vice President & Trust Officer*
ROBERT D. GIBBONS, *Asst. Cashier*
JANET MASTERS, *Asst. Cashier*
FRANCES PERDIEU, *Asst. Cashier*
GRACE R. REDMAN, *Asst. Cashier & Branch Manager*
TED J. SAVOREE, *Asst. Cashier & Asst. Trust Officer*
CARY W. SPARKS, *Asst. Trust Officer*

W. N. COX, *Counsel*

509-523 WABASH AVENUE
EDGAR L. BROWN, *Vice President*
JAMES E. BROWN, *Vice President*
STANLEY V. HART, *Asst. Vice President*
HANS H. HENSELER, *Asst. Vice President*
DON LOFTON, *Asst. Vice President*
JERRALD L. TITUS, *Asst. Vice President*
JAMES A. WATKINS, *Asst. Vice President*
WILLIAM B. ADAMS, *Asst. Cashier*
MARC BEESON, *Asst. Cashier*
MARY JOYCE BROKAW, *Asst. Cashier*
VERNON M. COOK, *Asst. Cashier*
DAVID A. HANSON, *Asst. Cashier*
ALBERT R. MONNIGER, *Asst. Cashier*
LAWRENCE W. SCHOPMEYER, *Asst. Cashier*
JANE WASHBURN, *Asst. Cashier & Branch Manager*
JERRY L. WILLIAMS, *Asst. Cashier*
RICHARD O. WHITE, *Auditor*
KEITH L. MYERS, *Asst. Auditor*

MAPLE AVENUE
LARRY W. HOWARD, *Asst. Cashier & Branch Manager*
JOHN HAAG, *Asst. Cashier*

MEADOWS CENTER
KENNETH D. DOADES, *Asst. Cashier & Branch Manager*
MORRIS G. CRUMRIN, *Asst. Cashier*
WILLIAM H. JEFFRIES, *Asst. Cashier*
PATTY MUNDELL, *Bookkeeping Manager*
DAVIE MILLIKEN, *Manager, Data Center*
JOHN D. EVANS, *Asst. Manager, Data Center*

PLAZA NORTH
DAVID B. BALLINGER, *Asst. Cashier & Branch Manager*
MICHAEL F. HOLMES, *Asst. Cashier*

SEELYVILLE
LELAND S. SUTHERLAND, *Asst. Cashier & Branch Manager*

SOUTHLAND
RONALD W. REAGAN, *Asst. Cashier & Branch Manager*
MERLE M. ALLEN, *Asst. Cashier*

WEST TERRE HAUTE
HAROLD V. ROST, *Asst. Vice President & Branch Manager*
DAVID L. JOHNSTON, *Asst. Vice President*

BANKING CENTERS AND SERVICES

Main Office
643-645 Wabash Avenue
Terre Haute, Indiana

Downtown Branch
509-523 Wabash Avenue
Terre Haute, Indiana

Maple Avenue Branch
(Drive-In)
4065 Maple Avenue
Terre Haute, Indiana

Meadows Center Branch
(Drive-In)
350 South 25th Street
Terre Haute, Indiana

Plaza North Branch
(Drive-in)
Ft. Harrison Road & Lafayette Avenue

Seelyville Branch
(Drive-in)
Seelyville, Indiana

Southland Branch
(Drive-in)
7th Street & Margaret Avenue
Terre Haute, Indiana

West Terre Haute Branch
(Drive-in)
309 National Avenue
West Terre Haute, Indiana

Data Processing Center
Suite 7C Meadows Shopping Center
Terre Haute, Indiana

Auto Banking
BankAmericard
Bank By Mail
Certificates of Deposit
Checking Accounts
Christmas Club Accounts
Commercial Loans
Computer Services
Installment Loans
Master Charge
Money Orders
Mortgage Loans and Servicing
Night Depository
Safe Deposit Vaults
Savings Accounts
Travelers' Checks
Trust Services
U.S. Savings Bonds
Vacation Club Accounts

NEW MAPLE AVENUE BRANCH

Banks and Banking (T.H.)

Terre Haute First National Bank

'75 Annual Report

FINANCIAL HIGHLIGHTS

For the Year:	1975	1974	% Change
Operating Income	$13,817,622	$13,351,043	+ 3.5
Operating Expenses	12,180,258	11,040,388	+10.3
Net Operating Income After Securities Gains	1,606,357	1,838,450	−12.6
Net Operating Income per Share	9.92	11.35	−12.6
Dividends Declared	526,500	445,500	+18.2
Cash Dividends Paid per Share	3.00	2.50	+20.0
Interest Paid Depositors	6,247,353	5,846,151	+ 6.9
At Year End:			
Assets	$205,798,011	$181,030,417	+13.7
Deposits	179,540,973	158,283,587	+13.4
Loans (including Mortgages)	108,132,366	92,912,726	+16.4
Investments	71,415,462	56,369,902	+26.7
Capital Funds (excluding Reserve for Losses)	13,824,718	12,743,323	+ 8.5
Book Value of Stock	85.34	78.66	+ 8.5
Numbers of Shares Outstanding	162,000	162,000	-0-
Number of Shareholders	358	356	+ 0.6
Number of Officers and Employees (full-time)	253	246	+ 2.8

Financial Highlights

To our Friends

To Our Shareholders, Customers and Staff:

With the recession abiding and inflation slowing somewhat in 1975 our Bank turns to 1976 with guarded optimism. Our concern about the economy expressed to you last year was well-founded. The recessionary spiral which finally ended in May turned out to be the severest downturn since the Great Depression. With the combination of high unemployment, persistent inflation, a reduction in gross national product, and a significant Federal deficit, our economic system was being challenged in all directions. The fact that the recovery, slowly but surely, has begun is a real testimony to our economic system. The slack in the economy has had quite a negative impact on loan demand nationwide. The efforts of the Federal Reserve System to ease monetary policy reduced the rates of return materially on most fund investments. These two factors interacted to reduce the profit potential for banks like ours that maintain a high liquidity position.

We are especially proud of our growth in loans, assets and deposits for 1975. In light of the economy, the 16.4% growth in loans represents a truly remarkable effort on the part of our loan departments. The 13.4% growth in deposits which totaled over $21 million is the largest single year increase for our Bank. In 1968 our Bank reached the $100 million level in total assets. In the seven years since then our Bank has grown by an amount greater than that of our first 106 years of operation so that at the end of 1975 our total assets are $205,798,011. This remarkable growth could only be achieved with the cooperation and effort of all who believe that "First Puts **You** Ahead!"

Bank management this year made an additional provision of $350,000 to reserves for losses on loans. This contribution, beyond the required regular formula additions, reflects our commitment to the sound management of the Bank's resources. As a result of this increase to the valuation portion of our reserve for losses on loans, we feel that we have achieved a level that will provide more than adequate protection in view of the current economic uncertainty. Even with this adjustment we end a year with net income of $9.92 per share for a total net income of $1,606,357.

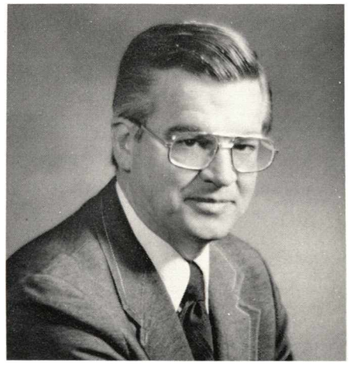
After reviewing the Bank's overall financial position and capital adequacy, your Board of Directors declared an extra $.50 per share dividend in May and an extra $.75 per share dividend in November. These extra dividends in addition to the regular $2.00 per share dividend resulted in total dividends declared of $3.25 per share for a total of $526,500. Our book value increased from $78.66 per share to $85.34 based on the 162,000 shares outstanding. Thus, with an 18.2% increase in dividends our book value still increased by 8.5%.

In December six of our officers were elevated to higher positions in the Bank. Paul Marc Beeson and William H. Jeffries were promoted to Assistant Vice Presidents; Morris G. Crumrin, Ronald W. Reagan, Grace R. Redman and Jane L. Washburn were promoted to the position of Assistant Vice President and Branch Manager. Also, four employees were elected to the officer staff effective January 1, 1976. Winnie Jo Cochran was elected Assistant Controller; Pete J. Piazza, Charles W. Pride and Ronald B. Weaver were elected Assistant Cashiers. Earlier in the year, James Clayton was appointed Data Center Manager and William R. Farris was elected Assistant Cashier and Assistant Branch Manager.

It is very likely that in 1976 there will be more changes in regulations and requirement for banks and we have an obligation to insure that our plans and policies are adequate to meet these changes as well as the expanding competitive environment in which banks must operate. Our confidence in the success of our bank in the future rests on the ability, skills and experience of our staff, officers and directors, as well as your continued loyalty.

Respectfully submitted,

Donald E. Smith
President



STATEMENT OF CONDITION

As of December 31

ASSETS	1975	1974
Cash and due from banks	$ 16,459,957	$ 19,338,161
Investment securities		
U.S. Treasury	21,783,226	18,081,915
Other U.S. Government agencies	5,510,020	5,110,129
State and Municipal	29,852,416	26,908,058
Other	14,269,800	6,269,800
Total Investment Securities	$ 71,415,462	$ 56,369,902
Federal Funds sold	4,500,000	7,900,000
Loans	108,132,366	92,912,726
Bank premises and equipment—Note C	1,963,174	2,053,467
Accrued interest receivable and other assets	3,327,052	2,456,161
Total Assets	$205,798,011	$181,030,417
LIABILITIES		
Deposits		
Demand	$ 56,245,407	$ 53,120,945
Time	123,295,566	105,162,642
Total Deposits	$179,540,973	$158,283,587
Federal Funds purchased	1,900,000	2,030,777
Unearned discount and other liabilities	9,092,176	6,531,166
Total Liabilities	$190,533,149	$166,845,530
RESERVE FOR POSSIBLE LOAN LOSSES—Note D	1,440,144	1,441,564
CAPITAL		
Common stock, par value $20.00 a share:		
Authorized, issued & outstanding 162,000 shares	$ 3,240,000	$ 3,240,000
Surplus	5,420,000	5,420,000
Undivided profits	5,064,718	3,983,323
Reserve for contingencies	100,000	100,000
Total Capital	$ 13,824,718	$ 12,743,323
TOTAL LIABILITIES RESERVES, AND CAPITAL	$205,798,011	$181,030,417

See notes to financial statements

COMPARATIVE SUMMARY

As of December 31

	1973	1972	1971	1970
Cash and due from banks	$ 21,653,266	$ 16,807,909	$ 17,943,865	$ 16,945,796
Investment securities				
U.S. Treasury	19,752,663	23,676,154	23,698,123	21,635,244
Other U.S. Government agencies	6,010,129	6,584,090	6,886,099	5,711,350
State and Municipal	19,969,269	15,248,002	13,342,353	10,603,464
Other	269,800	205,001	205,001	160,001
Total Investment Securities	$ 46,001,861	$ 45,713,247	$ 44,131,576	$ 38,110,059
Federal Funds sold	24,700,000	11,400,000	7,500,000	14,000,000
Loans	78,417,618	71,532,388	58,269,360	48,663,838
Bank premises and equipment—Note C	1,384,496	1,394,007	1,350,436	1,201,104
Accrued interest receivable and other assets	1,756,852	1,379,304	1,133,474	1,052,686
Total Assets	$173,914,093	$148,226,855	$130,328,711	$119,973,483
LIABILITIES				
Deposits				
Demand	$ 58,967,554	$ 56,592,822	$ 56,617,955	$ 56,622,054
Time	87,023,806	73,064,181	59,217,030	50,908,052
Total Deposits	$145,991,360	$129,657,003	$115,834,985	$107,530,106
Federal Funds purchased	9,000,000	2,100,000	600,000	1,000,000
Unearned discount and other liabilities	6,383,255	5,195,371	3,777,576	2,275,825
Total Liabilities	$161,374,615	$136,952,374	$120,212,561	$110,805,931
RESERVE FOR POSSIBLE LOAN LOSSES—Note D	$ 1,230,280	$ 1,107,534	$ 1,107,533	$ 1,107,533
CAPITAL				
Common stock, par value $20.00 a share:				
Authorized, issued & outstanding 162,000 shares	$ 3,240,000	$ 1,080,000*	$ 1,080,000*	$ 1,080,000*
Surplus	5,420,000	5,420,000	5,420,000	3,920,000
Undivided profits	2,549,198	3,566,947	2,408,617	2,960,019
Reserve for contingencies	100,000	100,000	100,000	100,000
Total Capital	$ 11,309,198	$ 10,166,947	$ 9,008,617	$ 8,060,019
TOTAL LIABILITIES RESERVES, AND CAPITAL	$173,914,093	$148,226,855	$130,328,711	$119,973,483

*54,000 Shares Authorized, Issued & Outstanding

STATEMENT OF INCOME
for Year Ending December 31

OPERATING INCOME

	1975	1974
Interest and fees on loans	$ 8,656,397	$ 8,041,818
Income on Federal Funds sold	689,987	1,579,444
Interest and dividends on Investment Securities:		
U.S. Treasury securities	1,359,148	1,233,219
Other U.S. Government securities	410,269	456,305
State and municipal securities	1,376,410	1,262,408
Other securities	453,033	52,660
Trust Department income	202,712	184,796
Service charges on deposit accounts	160,795	154,510
Other service charges and fees	374,468	306,600
Other operating income	134,403	79,283
TOTAL OPERATING INCOME	$13,817,622	$13,351,043

OPERATING EXPENSES

Salaries and wages	$ 2,033,643	$ 1,745,599
Pensions and other employee benefits—Note F	428,011	412,378
Interest on deposits	6,247,353	5,846,151
Expense on Federal Funds purchased	272,822	659,154
Interest on borrowed money	15,955	-0-
Occupancy expense of Bank premises	338,645	256,402
Equipment depreciation, rentals and maintenance	355,634	356,782
Provision for possible loan losses—Note D	657,045	231,818
Other operating expenses	1,831,150	1,532,104
TOTAL OPERATING EXPENSES	$12,180,258	$11,040,388
Income before income taxes and securities gains	1,637,364	2,310,655
Federal income taxes—Note E	31,489	478,638
Income before securities gains	$ 1,605,875	$ 1,832,017
Securities gains net of income tax effect of $444 in 1975 and $5,938 in 1974	482	6,433
NET INCOME	$ 1,606,357	$ 1,838,450
Earnings per share of common stock		
Income before securities gains	$ 9.92	$ 11.31
Securities gains or losses	.00	.04
Net Income	9.92	11.35

See notes to financial statements

Management Review

Among the important aspects of a bank are the philosophy and caliber of its management.

This is why Terre Haute First National Bank is providing a management review as an added feature of our 1975 annual report.

It portrays our management personnel and their functions as researched and written by a professional writer.

History and Management: The key to the bank's success

As we celebrate our nation's Bicentennial year with renewed vigor, we also pause to look back at the long history of our bank and to advancements made through the years.

Through reorganizations and mergers spanning 142 years, guided by sound management and policy, the Terre Haute First National Bank has become the leading bank in the Wabash Valley.

Our managerial organization is geared for top performance today and for the future.

Our employees have a high degree of skill and experience and are dedicated to their respective responsibilities.

Our Board of Directors is open-minded and forward looking in meeting the demands of today and the future.

With pride we review the history of our bank, starting in 1834 when the Terre Haute Branch of the State Bank of Indiana, one of the first banks in the state, was organized.

In 1865, this bank was reorganized to become the National State Bank, and in 1905, it was again reorganized to become the Terre Haute National Bank. This financial institution merged in 1927 with the United States Trust Company, founded in 1902, to become the Terre Haute National Bank and Trust Company.

In 1854, the Southern Bank of Indiana was organized, and in 1863, it was reorganized to become the First National Bank of Terre Haute. In 1928, the First National was merged with the McKeen National Bank, founded in 1905, to become the First McKeen National Bank.

Merger of this institution with the Terre Haute National Bank and Trust Company formed the present Terre Haute First National Bank in 1932.

The Terre Haute National Bank was located at 643 Wabash Avenue at the time of this merger and this building became the main bank, as it is today, of the Terre Haute First National Bank. The building occupied by the First McKeen National Bank at 513 Wabash Avenue then became a branch bank of the new organization.

During the past 21 years, expansion of the bank's facilities was rapid, with the addition of six branch banks in newly-constructed buildings and of several new departments.

This expansion started in May of 1954 when a branch bank was installed in a building in Meadows Shopping Center. This building was rapidly outgrown and a new Meadows Center Branch building was built and opened in May of 1959.

In 1974, new drive-in units were installed at this branch. In 1975, the building was remodeled and 50 per cent more safety deposit boxes added.

Another branch bank, the Southland Branch, was opened in June of 1959. In 1974 additional night depository boxes were added along with renovation of the building and installation of drive-in units.

Merger of the bank with the West Terre Haute Bank took place in 1960, and a new branch bank building in West Terre Haute was opened in November of 1966. This, also, was renovated in 1974.

In October of 1964, a branch bank was opened at Plaza North, and in 1966, a Seelyville Branch was added. In September of 1974, the Maple Avenue Branch was opened.

Also added to the offices of the bank were an Installment Loans Department at 519 Wabash Avenue and a Credit Card Department office at 521 Wabash Avenue, both in June of 1973.

Policies of firm foundation and solid growth in recent years inspire faith in the stability and integrity of the bank from the community. Competent management and employees aim for continual improvement to keep up with these rapidly-changing times. We look forward to the next century of our bank and our nation.

Donald E. Smith, President and Chief Executive Officer, educated Terre Haute Public Schools, Hill School, Pottstown, Pa.; Indiana University and Indiana State University. Associated with agricultural, mining and refining industries. Elected Director of bank, 1966; joined management of bank as Executive Vice President in 1969 and moved to Presidency, 1974.

DONALD E. SMITH, President and Chief Executive Officer, directs the active management of the bank in accordance with policies approved by the Directors.

"My main objective," says Smith, "is to continue the success and to maintain the growth of the bank that has been developed over the years, along with serving our customers and people of the area."

He feels that to continue community leadership, a high degree of efficiency in officers and employees in all departments must be maintained.

"We believe in the philosophy that to give service to the people, one must give of himself," Smith continued. "We are very fortunate to have a high caliber Board of Directors to represent the bank. This board represents many facets of business and community involvement."

"He also points out that some of the men on the management team have decades of experience with the bank. Others are just getting their feet wet. Avenues of learning are continually being opened for all the team to advance themselves and their service to customers.

Employees are also urged to continue their banking education throughout their careers with the bank.

"With this combination of people who have been here for years and those who are just learning, we have good things going for us: the hungry, inquisitive nature of youth plus the experience to guide them."

Smith feels that the name of the game is people, especially management people, working together.

"The future of the bank," he emphasizes, "rests on the strength of our management. We should not run the risk of becoming stagnant in our thinking with the variety of talent we have. Stagnation is one thing we cannot afford."

The average age of the nine top management personnel is 43 years. This average is about the same in all departments of the bank, which employs 280 persons.

Smith, who has a genial personality with a lot of charm, is primarily interested in the bank, but his interests also spread to sports activities, business and civic enterprises. At age 49, he looks and acts the part of a bank executive. He can be warm and compassionate, with a ready smile, or firm and decisive when the occasion demands.

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Richard E. Conrad, Senior Vice President and Cashier, BS degree in Business, Indiana State University, and graduate, School of Consumer Banking, University of Virginia. Employed at bank on part-time basis, 1946; full-time as teller, 1950; Assistant Cashier, 1960; Assistant Vice President and Manager, Installment Loan Department, 1962; Vice President, 1966; Vice President and Cashier, 1969; Senior Vice President and Cashier, January, 1973; Director, December, 1973.

Observing his Silver Anniversary of full-time service in 1975, was RICHARD E. CONRAD, senior Vice President and Cashier, as well as a bank Director and Secretary of the Board of Directors.

Conrad, at 47 years of age, is one of the managers who worked his way up in the bank starting with four years as a part-time employee prior to his full-time employment in 1950.

He supervises maintenance of all official documents and records and of the commercial, industrial and business loans of the bank.

"The many-faceted nature of my responsibilities," Conrad claims, "makes my work interesting to me. There is a different problem to tackle every five minutes, and what I like most is the variety of these problems and their solutions. This is the real challenge to me."

In negotiating loans, Conrad works with owners and executives of businesses in the community. Since he likes people, these contacts make his position satisfying and make him more aware of the problems, as well as the progress, in the area. In turn, information gleaned from these contacts helps him make decisions on loans.

"I find the cooperation of the board and management of the bank and their sensitive and positive leadership conducive to positive thinking," he stressed. "Our leadership is the most receptive and intuitive I have seen and that is gratifying in my position."

Conrad's successful management philosophy is based on the assumption that if you respect each worker according to his own particular need, you have employees who want to make the bank successful.

The Cashier seems confident, satisfied with life in general and his work in particular. He is a man who meets you eye to eye. You feel sure he tells it exactly as it is in a polite, straightforward manner that inspires trust.

Not only have his co-workers and the businessmen and women he contacts found this true, but over the years, so have the representatives in many civic and charitable organizations in the city.

King A. Fasig, Vice President and Trust Officer, attended National Trust School, Northwestern University, and completed courses of American Institute of Banking. Joined the bank in 1948, Assistant Trust Officer, 1955; Trust Officer, 1965, promoted to Assistant Vice President and Trust Officer, 1967, and to Vice President and Trust Officer, 1968. Prior to joining the bank, he served two and a half years in Finance Corps of Armed Forces and had eight and one-half years of banking and work in the accounting field.

With 27 years of full-time service, KING A. FASIG, Vice President and Trust Officer, has more years with the bank to his credit than any others on the management team.

Fifty-seven years old, with hair graying at the temples, he is not exactly the picture of a stodgy executive. For, sitting behind his desk in a light green sport suit, he looks as if he is about to play a round of golf. Not so. He is working with contacts in his job with a pleasant manner and all-business attitude.

Fasig wears sport clothes to his office. He used to wear a suit, white shirt and conservative tie. He changed after the last dark suit he bought, when his wife said, "Are you going to a funeral?" That did it.

As Trust Officer, King manages facilities and services in a fiduciary capacity to individuals, partnerships, associations, corporations and public, social, educational and charitable institutions.

His major responsibility is to represent the bank in administering estates, trusts, guardianships, individual agency accounts, pensions and profit-sharing trusts, and corporate bond accounts.

The Trust Department's assets have increased from $30 million in 1965 to an excess of $90 million in 1975. This increase and the success of the department can be attributed to the efficient manner with which its officers and employees respect the customers' wishes, care for their needs and apply their knowledge and dedication to their work.

In the matter of estates, Fasig's responsibility includes being either an executor or administrator under a decedent's will.

In this responsibility, as well as that of setting up and administering trusts, Fasig works closely with attorneys, accounting and life underwriters, with whom he has a good rapport.

Guardianships for minor children, mentally or physically incapacitated individuals are another function of the trust officer's work.

Individual agency accounts, which are also part of Fasig's responsibility, are funds of a person or persons handled by the bank for them. The interest and dividends are collected and paid to them or to their accounts. Also paid from these funds are their various expenses.

Many pension funds and business profit-sharing trusts are set up with and controlled by this department.

Serving as trustee for educational and corporate bond/funds is another function of this department.

"The average years of service per member of my 10-member staff is over 13 years," Fasig proudly explains. "This proves that the employees are satisfied in their jobs and feel that they have opportunity for advancement."

Fasig encourages them to attend AIB schools and trust schools. He loves his work and wants his employees to feel the same way.

He is past chairman of the Trust Division and past Board Member of Bankers and Lawyers of the Indiana Bankers Association.

Ray G. Ingram, Administrative Vice President, BS degree in marketing, Indiana University. Terre Haute Branch Manager Edward D. Jones and Company, Investments, nine years before joining bank as Assistant Cashier in 1972. Became Assistant Vice President a year later and promoted to present position last year.

Although he has only been with the bank for four years, RAY G. INGRAM, Administrative Vice President, has a background of almost 20 years in the investment business.

He handles the bank's portfolio of investments. Basically, his job is to invest the available funds after the loan demand has been satisfied and keep the bank in a liquid position at all times.

He is responsible for maintaining records and statistical information on the bank investment portfolio and placing orders for purchases or sales of bonds for the bank's investment account which amounts to a sum of $60 to $70 million.

He must see that there is enough money to meet loan demands and forecast future needs.

"My main responsibility," he points out, "is to keep the bank in a liquid position. Our approach is to maintain a balanced portfolio in conservative-type investments and to keep up with the ever-changing market."

Every day Ingram takes an assessment of investments with an eye to the continuous changes in the swift-changing market, as well as daily economic changes.

His position is important because investment of bank funds forms a nucleus of security of any bank. His steady hand on the bank's money assures this firm foundation.

Although one might have the impression that this 47-year-old man in his conservative suit sits behind his desk working with figures all day, this is far from true. He is also very active in community activities. His pleasant and friendly manner has made him a wide circle of friends in the community as evidenced by his current office of President of the Chamber of Commerce.

In addition to his investment expertise and responsibility, he also concerns himself with attracting business for the bank from new sources and service to present customers.

Edgar L. Brown, Vice President, Installment Loans, Degree in Principles of Banking, AIB course. Before joining First National in 1963, was with Seaboard Finance four years. Assistant Cashier, 1967; Assistant Vice President, 1969; Vice President, Installment Loans, 1972.

Five departments are under the jurisdiction of EDGAR L. BROWN in his managerial position of Vice President, Installment Loans.

They are the Direct Loan, Indirect Loan, Credit Card, Installment Loans Operation and Collection sections.

The first three are concerned with consumer credit and the other two are supporting areas.

In the first category, Brown deals with consumer credit on automobiles, manufactured housing, recreational vehicles, home improvement, vacations, farm equipment and livestock.

He also is responsible for dealer floor plans of financing of stock for resale on indirect loans.

All credit card business of the bank comes under his management.

The Installment Loans Operation Department maintains all records for total installment loan functions of the bank, not only for the main department but also for installment loan departments in the six branch banks.

This makes Brown responsible for investing funds in all areas which pertain to consumer credit repayable in installments, in accordance with policy as established by the Board of Directors. Brown also supervises lending activities of the department division.

Enthusiastically, he tells: "I think this department is the most dynamic one the bank has due to its officers and employees. Coming to the bank as I did from a loan company, I was surprised at the lackadaisical attitude of banks toward loans.

"With the help of the people working with me and cooperation of an aggressive management," he continued, "we have expanded the department from five to 40 employees and the installment loan business of the bank from $4½ million to more than $40 million in the past 10 years."

He explained that the bank was one of the smallest consumer lending institutions in the area during the early 1960's, and it is now the largest one in the Wabash Valley.

This 43-year-old native Oklahoman with his soft voice and slight Southern accent loves people and enjoys working with his fellow employees and the public. He sees an opportunity in this kind of lending to help people solve their everyday problems.

Brown has an understanding of people and their problems which helps in his work. He feels that "the customers are the most important things to us. Without them we aren't in business."

James E. Brown, Vice President, Mortgage Loans, American Institute of Banking courses and real estate courses, Indiana State University. In 1948, joined State Bank of West Terre Haute, which merged with Terre Haute First National in 1960. Assistant Cashier, Mortgage Loans, 1961; Manager, Mortgage Loans, 1963; Assistant Vice President, 1964; Vice President, Mortgage Loans, 1972.

Having started with the State Bank of West Terre Haute and continuing with the Terre Haute First National when the two banks merged in 1960, JAMES E. BROWN, Vice President, Mortgage Loans, has served the bank just a few months less than Fasig.

In contacts with bank customers he is tactful and pleasant. He knows his business—and customers find his confidence is contagious.

"I consider it a pleasure to serve customers. I treat them as individuals and take a personal interest in their needs," he explains as his attitude toward his work.

Having always lived in the Wabash Valley area and being immediate Past President and a Director of the Terre Haute Board of Realtors, 47-year-old Brown knows many of the people he contacts in his job.

His responsibilities are to review, analyze and, based on appraisal of land/or improvements, to make recommendations for decisions on applications for mortgage loans in accordance with bank policy. These loans are secured by equities in real estate.

A substantial amount of his work is coordinating the purchase and final closing of loans with customers and realtors.

He also works with customers on appraisals and loans for improvements and construction of property.

The bank has always been an equal-opportunity lender.

Talking about his function, Brown says, "We feel as if we are providing a service to the community in having funds available for purchasing and improving 'homes' which are a vital part of the lives of all families. A home is the pillar of the family, a place where the parents and children can find comfort and security.

"Also, part of my responsibility," he continues, "is negotiating loans for commercial property which, in turn, provides opportunity for employment to all people of this greater Wabash Valley area.

"We have been fortunate, in spite of an economic recession, to have here in Terre Haute adequate funds for mortgage lending. To me, this expresses the confidence our depositors have in Terre Haute First National."

Brown emphasizes that the growth of his department isn't due to one man's effort. It has been a team effort of efficient and knowledgeable officers and employees of the department.

Stanley V. Hart, Assistant Vice President and Branch Administrator, School of Banking, University of Wisconsin, and several American Institute of Banking courses. Joined bank, 1961; Assistant Cashier, 1968; Assistant Vice President and Meadows Branch Manager, January, 1973, promoted to Branch Administrator, October, 1973.

As Assistant Vice President and Branch Administrator, STANLEY V. HART supervises 125 bank employees. This is more than any other department of the bank.

At age 33, he is one of the youngest of the management team, but he keeps his cool under stress like any executive with long experience.

He supervises managers of the eight branches of the bank, including six outlying branches: one at 511 Wabash Avenue and the one at 643 Wabash Avenue.

These eight managers, who operate these branches according to bank policy, report regularly to Hart. He helps them with problems and improving service.

Hart also works with the bank's Personnel Office in the hiring, regulation and movement of personnel within the branch system.

He coordinates public relations policies, direction and business development within branches.

Also, he is liaison between the bank President and the Branch Managers.

The officer in charge of customer service, including checking accounts, savings accounts, certificates of deposit, Christmas Clubs and Vacation Clubs, reports regularly to Hart.

The Branch Administrator stresses: "The branch managers are my strong right arm in this operational area.

"The coordination of communication between the bank managers and managers with their employees," is his theory of what makes everything click so well between the branches.

About his position, Hart says, "I am only as good as those who are responsible to me and to my branch managers. The bank gives all employees under my supervision opportunity for advancement and furthering their education. The bank makes it possible for them to take AIB courses, as well as college credit courses. AIB courses are now available at Indiana State University."

One can sense the excitement in Hart's voice as he talks about his work at the bank. Despite his youthful appearance and sports attire, it is easy to see why this young man has attained his responsible position.

John W. Perry, Vice President—Finance, BS degree in Accounting and MBA degree, Indiana State University, Certified Public Accountant. Before joining bank in present position in 1974, taught accounting and statistics at Baldwin-Wallace College, Berea, Ohio, 1967-1974, had a CPA practice and also worked in Municipal Finance in Ohio, 1969-1974.

Youngest of the managers of the bank is 32-year-old JOHN W. PERRY, Vice President, Finance.

He has strong educational background in finance, plus seven years of experience in both teaching and working at his specialty. He is a reserved man who takes his responsibilities very seriously. He likes a job with a challenge and feels that his work is part of a dynamic and changing industry.

"I enjoy working with the officers, who are all very knowledgeable about banking and dedicated to the success of the institution."

One of the main responsibilities of the finance manager is general accounting and financial reporting of the bank's financial resources. He also is responsible for managerial reports, including budgets, analyses and projections for decision-making purposes of officers of the bank. Another aspect of his work is financial and tax planning for the overall bank resources. Since he came to the bank, he has become involved in lease investments for their tax benefits. Some of Perry's reports to officers are daily and others are on a monthly basis. He also issues special reports and studies as needed.

"One of my primary responsibilities," he explains, "is to know what is going on currently in the banking world's economic situation, both nationally and locally, and to be aware of proposed and implemented tax law changes and bank regulations."

He is also in charge of payroll, purchasing, accounts payable, switchboard operations and other business at the bank.

"My department is well aware of the responsibility to account properly for the bank's assets and the role played in the overall success of this institution," he emphasizes. "One of the things I feel, and know my people also feel, is responsibility for the proper management of funds that have been entrusted to us by depositors of the bank.

"We feel," he continued, "very proud of the history of this bank and the fine record it has achieved. It has been demonstrated that the prudent financial management of the bank's resources has benefited depositors, employees, stockholders and the greater Wabash Valley community."

James H. Clayton, Manager of Data Processing, BS Degree, Indiana State University. Joined NCR Corporation 1967, advanced through several positions within the Financial Marketing Division of that company. Responsibilities were both sales, supervision and installation in the proof, teller and computer operations of banks from $5 million to $300 million. Joined Terre Haute First National in May, 1975.

Although he has only been with the bank since May of 1975, JAMES H. CLAYTON, Manager of Data Processing, is already deeply involved in directions the bank will be going in the next few years. This is because of banking ties to electronic data processing.

Clayton oversees the daily operations of the Data Center, which was established in 1967. He is responsible for developing and implementing policies, practices and procedures with respect to sound data processing principles and techniques.

The assistant manager and operations manager of the center report to Clayton and he interprets the information given him as it applies to other areas within the bank.

Daily bookkeeping of checking accounts, savings accounts, certificates of deposit, mortgage, installment and commercial loans, payroll and trust of the bank is maintained in this center.

In addition, payroll for 60 other businesses and bank work for five correspondent banks is taken care of at the center. Part of Clayton's responsibility is to contact potential customers for this service.

In the eight months he has been with the bank, five new payroll customers and one correspondent bank have been added to the service.

This center is in constant operation for 22 hours a day as employees, 27 in all, feed information to the computer and the results are provided to other managers of the bank.

Employees in the department work in shifts and only men and women with experience in data processing are hired.

Clayton himself has no fixed hours and is always available for any emergency that may arise with the equipment or systems.

In praising his employees, he says with pride: "We must rely on all our employees and I have confidence in and respect for their ability and initiative to satisfy requirements of the bank on a daily basis."

Clayton must be ever alert to keep up with new systems, procedures, techniques and equipment. He must also keep abreast of all new Federal regulatory changes pertaining to banking.

"In this highly-technical world," he emphasizes, "this is not easy. Every day there are new difficulties and opportunities with which we must keep in step."

But if anyone can do it, Clayton seems to be the man. At 34 years of age, he has an aggressive quality of a man with his feet on the ground and pointed in the right direction.

So, there you have the nine members of the management team.

There are noticeable similarities and differences which assure little danger of operating on a status quo basis in the years ahead.

Although diversified in their ages, backgrounds, training, experience and management responsibilities, they are unified in one common goal—the stability and success of the bank.

With their aptitude for cooperation, they form a team that promises a bright future for the bank.

TERRE HAUTE FIRST NATIONAL BANK

Main Office: 643-645 Wabash Ave., Terre Haute, Indiana 47808 · Phone (812) 238-6000

STATEMENT OF CHANGES IN CAPITAL ACCOUNTS

Years ended December 31, 1975 and 1974

	Capital Stock	Surplus	Undivided Profits	Total
Balance at January 1, 1974	$3,240,000	$5,420,000	$2,821,590	$11,481,590
Net Income			1,838,450	1,838,450
Cash Dividends—$2.75 per share			(445,500)	(445,500)
Transfer to Reserve for Possible Loan Losses (Net of Related Tax Effect of $121,123)			(131,217)	(131,217)
Balance at December 31, 1974	$3,240,000	$5,420,000	$4,083,323	$12,743,323
Net Income			$1,606,357	$ 1,606,357
Cash Dividends—$3.25			(526,500)	(526,500)
Transfer from Reserve for Possible Loan Losses (Net of Related Tax Effect of $34,826)			39,149	39,149
Other			(37,611)	(37,611)
Balance at December 31, 1975	$3,240,000	$5,420,000	$5,164,718	$13,824,718

STATEMENTS OF CHANGES IN FINANCIAL POSITION

Years Ended December 31, 1975 and 1974

SOURCES OF FUNDS

	1975	1974
Net Income	$ 1,606,357	$ 1,838,450
Provision for Loan Losses	657,045	231,818
Depreciation and Amortization	174,045	156,576
Other	68,368	216,955
Funds provided from Operations	$ 2,505,815	$ 2,443,799
Increases in Deposits	$21,257,386	$12,292,227
Increases in Other Liabilities	2,561,010	147,911
Decreases in Cash and Due From Banks	2,878,204	2,265,105
Decreases in Federal Funds Sold	3,400,000	16,800,000
TOTAL	$32,602,415	$33,949,042

APPLICATIONS OF FUNDS

Increases in Investment Securities	$15,045,560	$10,368,041
Increases in Loans	15,219,640	14,495,108
Decreases in Federal Funds Purchased	130,777	6,969,223
Increases in Other Assets	870,891	699,309
Additions to Property and Equipment	70,817	668,971
Cash Dividends Declared	526,500	445,500
Other	738,230	302,890
TOTAL	$32,602,415	$33,949,042

See notes to financial statements

NOTES TO FINANCIAL STATEMENTS

NOTE A—Accounting Policies

The accounting and reporting policies of the Bank conform with generally accepted accounting principles and to general practices within the banking industry. The Bank is on the accrual basis of accounting except for trust fees. The following is a description of the more significant of those policies:

Securities

Investment securities are stated at cost adjusted for amortization of premiums computed by the straight-line method. Amortization of discounts (accretion) is not recognized, but is recorded as income to the extent realized in the year such securities are sold or mature.

Loans

Loans and discounts are stated at principal outstanding, and principal outstanding plus unearned discount. Interest income from consumer-type installment loans is amortized on the sum-of-the-months-digits method.

Direct Lease Financing

Direct and leveraged equipment lease transactions are recorded by the finance method of accounting. Under this method a receivable is recorded for the total amount of lease payments receivable; a liability is recorded for any long-term borrowings from third party lenders who depend on the related lease and equipment as collateral for their loans with no recourse to the Bank; and lease income (consisting of the total lease payments receivable plus estimated residual value of the related equipment, less the cost of the equipment) is included in income by the sum-of-the-digits method.

Reserve for Loan Losses

For financial reporting purposes, the provision for loan losses charged as an operating expense is based on the moving average ratio of net charge-offs to total loans, which is a formula prescribed by regulatory authorities to determine a minimum charge to operating expense. In 1975, the Board of Directors decided to strengthen its reserve for loan losses in excess of the amount computed under the above formula and charged an additional provision ($350,000) to operations for the year.

The Bank follows the policy of providing additions to the reserve for possible loan losses in accordance with the maximum amount allowable under Internal Revenue Service regulations. The amount of the addition to the reserve for loan losses in excess of or less than the amount included in operating expenses, after the related tax effect, is charged or credited to retained earnings.

Bank Premises and Equipment

Bank premises, equipment, and leasehold improvements are stated at cost, less accumulated depreciation and amortization. Depreciation is charged to operating expense over the estimated useful lives of the assets and is computed on the declining-balance and straight-line method.

Income Taxes

Federal Income Taxes in the statement of income relates to the income and expenses shown in the statement. Deferred income tax has been provided in the financial statements to recognize the tax effects arising from the timing differences in recording the provision for possible loan losses for accounting purposes and in reporting such items for tax purposes.

The investment tax credit resulting from expenditures for premises and equipment purchased for the Bank's own use is treated as a reduction of the provision for income taxes in the year the asset is placed in service. The investment tax credit relating to assets owned and leased to others is deferred and amortized over the term of the investment.

NOTE B—Pledged Assets

At December 31, 1975, assets stated at $18,270,000 were pledged to secure government, public and trust deposits as required by law; at December 31, 1974, the corresponding amount was $15,026,000.

NOTE C—Bank Premises and Equipment

Following is a summary of the Bank premises and equipment by asset classification:

	1975	1974
Land	$ 622,862	$ 624,239
Buildings and Improvements	1,993,429	1,944,940
Equipment	872,746	849,041
Total Cost	$3,489,037	$3,418,220
Less Accumulated Depreciation and Amortization	1,525,863	1,364,753
Net Book Value	$1,963,174	$2,053,467

Depreciation expense for 1975 and 1974 amounted to $174,045 and $156,576.

NOTE D—Reserve For Loan Losses

Following is an analysis of the reserve for possible loan losses:

	Valuation Reserve	Deferred Tax Portion	Contingency Portion	Total
Balances at January 1, 1974	$1,230,280	-0-	-0-	$1,230,280
Provision Charged to Operating Expenses (Including $61,336 made at discretion of Management)	231,818			231,818
Recoveries on Loans	45,354			45,354
Loans Charged Off	(280,331)			(280,331)
Adjustment per Internal Revenue Service Examination		(18,191)	(19,706)	(37,897)
Excess of Tax Return Deduction Over Book Provision		121,123	131,217	252,340
Balances at December 31, 1974	$1,227,121	$102,932	$111,511	$1,441,564
Provision Charged to Operating Expenses (Including $350,000 made at discretion of Management	657,045			657,045
Recoveries on Loans	136,091			136,091
Loans Charged Off	(720,581)			(720,581)
Excess of Book Provision Over Tax Return Deduction		(34,826)	(39,149)	(73,975)
Balances at December 31, 1975	$1,299,676	$ 68,106	$ 72,362	$1,440,144

NOTE E—Federal Income Taxes

The customary relationship of federal income tax expense to income before federal income taxes is affected principally by non-taxable interest from municipal securities and loans, and investment tax credit. Income tax expense for 1975 and 1974 is net of investment tax credit of $4,329 and $18,000 and includes deferred taxes of $68,368 and $121,123.

NOTE F—Retirement Plan

The total expenses of the plan, including normal costs and amortization of past service costs were $177,599 and $165,342 for 1975 and 1974, respectively. The actuarially computed value of vested benefits exceeded the total of the retirement fund assets by approximately $301,000 and $250,000 at December 31, 1975 and 1974, respectively. The unfunded portion of past service costs under the plan was estimated by actuaries to be approximately $454,000 and $580,000 at December 31, 1975 and 1974, respectively.

NOTE G—Commitments and Contingent Liability

The Bank was lessee of land and various banking premises under noncancelable long-term lease agreements which provide for approximate aggregate minimum rentals as follows:

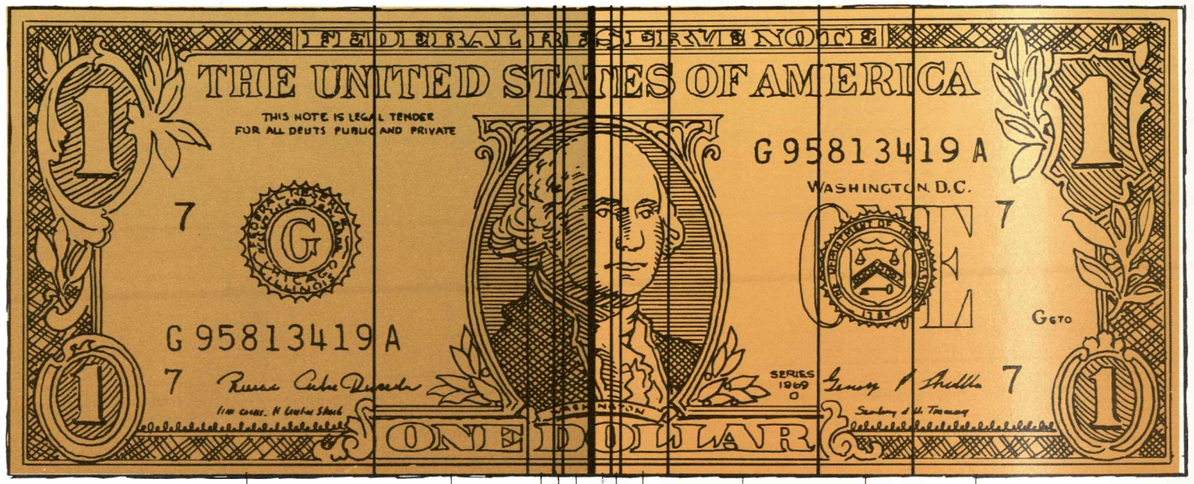
1976	$ 39,026
1977	39,026
1978	33,976
1979	25,198
1980	24,320
1981-85	116,320
1986-90	84,500
1991-95	36,000

The Bank charged to operations, rentals on bank premises and equipment of $272,782 and $278,279 for 1975 and 1974, respectively.

Unused balances of customers letters of credit, aggregating $8,500 and $42,000 at December 31, 1975 and 1974, for which the Bank and its customers are contingently liable.

THE 1975 OPERATING DOLLAR

HOW EARNED | **HOW USED**



Income on Loans 62.7%

Income on Investments 26.0%

Income on Federal Funds Sold 5.0%

Trust Income 1.5%

Other Income 4.8%

Interest Paid on Deposits 45.2%

Salaries and Employee Benefits 17.8%

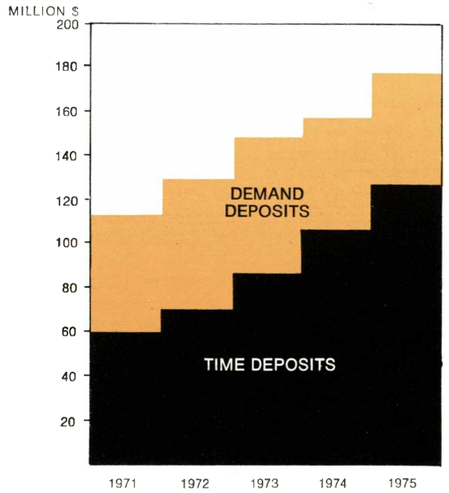
Other Expenses 25.2%

Retained Earnings 7.8%

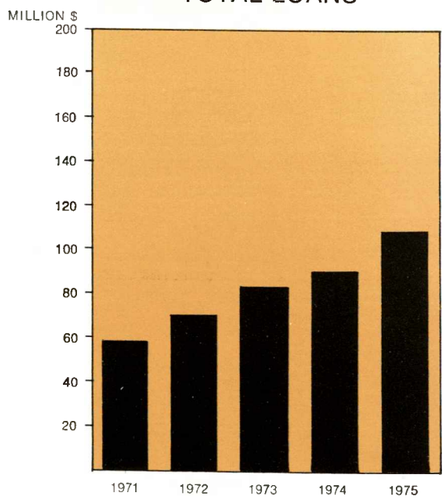
Federal Income Taxes .2%

Dividends 3.8%

TOTAL DEPOSITS



TOTAL LOANS



Directors

WALTER A. BLEDSOE
Investments

JOHN J. CLEARY
Retired

RICHARD E. CONRAD
Senior Vice President & Cashier

WILSON N. COX
Attorney at Law

WELBY M. FRANTZ
Vice Chairman, Eastern Express, Inc.

ANTON HULMAN, JR.
President, Hulman & Company

CHARLES H. HUTCHINS
President
Naples Metropolitan Enterprises, Inc.

EDWARD B. IJAMS
Investments

RICHARD W. KELLY
Chairman, Bituminous Materials Co., Inc.

WILLIAM A. NIEMEYER
President, Lovelace Truck Service, Inc.

PATRICK O'LEARY
President, Terre Haute Concrete Supply Corp.

JOHN W. RAGLE
President, Graham Grain Co., Inc.

DONALD E. SMITH
President & Chief Executive Officer

HENRY P. SMITH
President
Deep Vein Coal Company

Officers

643-645 WABASH AVENUE

DONALD E. SMITH, President & Chief Executive Officer
RICHARD E. CONRAD, Senior Vice President & Cashier
KING A. FASIG, Vice President & Trust Officer
RAY G. INGRAM, Administrative Vice President
JOHN W. PERRY, Vice President
CHARLEY E. HENDRICKS, Controller
RAYMOND L. NORRIS, Asst. Vice President
JACK H. PAGE, Asst. Vice President & Trust Officer
GRACE R. REDMAN, Asst. Vice President
ROBERT D. GIBBONS, Asst. Cashier
JANET MASTERS, Asst. Cashier
FRANCES PERDIEU, Asst. Cashier
TED J. SAVOREE, Asst. Cashier
WINNIE JO COCHRAN, Asst. Controller
CARY W. SPARKS, Asst. Trust Officer
DON BOVENSCHULTE, Security Officer

W. N. COX, Counsel

509-523 WABASH AVENUE

EDGAR L. BROWN, Vice President
JAMES E. BROWN, Vice President
MARC BEESON, Asst. Vice President
STANLEY V. HART, Asst. Vice President
HANS H. HENSELER, Asst. Vice President
DON LOFTON, Asst. Vice President
JERRALD L. TITUS, Asst. Vice President
JANE WASHBURN, Asst. Vice President
JAMES A. WATKINS, Asst. Vice President
WILLIAM B. ADAMS, Asst. Cashier
MARY JOYCE BROKAW, Asst. Cashier
VERNON M. COOK, Asst. Cashier
JOHN HAAG, Asst. Cashier
DAVID A. HANSON, Asst. Cashier
ALBERT R. MONNINGER, Asst. Cashier
PETE J. PIAZZA, Asst. Cashier
CHARLES W. PRIDE, Asst. Cashier
RONALD B. WEAVER, Asst. Cashier
LAWRENCE W. SCHOPMEYER, Asst. Cashier
JERRY L. WILLIAMS, Asst. Cashier
RICHARD O. WHITE, Auditor
KEITH L. MYERS, Asst. Auditor

MEADOWS CENTER

MORRIS G. CRUMRIN, Asst. Vice President & Branch Manager
WILLIAM R. FARRIS, Asst. Cashier
WILLIAM H. JEFFRIES, Asst. Vice President
PATTY MUNDELL, Bookkeeping Manager
JAMES H. CLAYTON, Data Center Manager
JOHN D. EVANS, Asst. Manager, Data Center

SOUTHLAND

RONALD W. REAGAN, Asst. Vice President & Branch Manager
MERLE M. ALLEN, Asst. Cashier

WEST TERRE HAUTE

HAROLD V. ROST, Asst. Vice President & Branch Manager
DAVID L. JOHNSTON, Asst. Vice President

PLAZA NORTH

DAVID B. BALLINGER, Asst. Cashier & Branch Manager
MICHAEL F. HOLMES, Asst. Cashier

SEELYVILLE

LELAND S. SUTHERLAND, Asst. Cashier & Branch Manager

MAPLE AVENUE

LARRY W. HOWARD, Asst. Cashier & Branch Manager

Main Office

643-645 Wabash Avenue
Terre Haute, Indiana

Downtown Branch

509-523 Wabash Avenue
Terre Haute, Indiana

Maple Avenue Branch

(Drive-In)
4065 Maple Avenue
Terre Haute, Indiana

Meadows Center Branch

(Drive-In)
350 South 25th Street
Terre Haute, Indiana

Plaza North Branch

(Drive-In)
Ft. Harrison Road & Lafayette Ave.
Terre Haute, Indiana

Seelyville Branch

(Drive-In)
Seelyville, Indiana

Southland Branch

(Drive-In)
7th Street & Margaret Avenue
Terre Haute, Indiana

West Terre Haute Branch

(Drive-In)
309 National Avenue
West Terre Haute, Indiana

Data Processing Center

Suite 7C Meadows Shopping Center
Terre Haute, Indiana

Auto Banking
BankAmericard
Bank By Mail
Certificates of Deposit
Checking Accounts
Christmas Club Accounts
Commercial Loans
Computer Services
Installment Loans
Master Charge
Money Orders
Mortgage Loans and Servicing
Night Depository
Safe Deposit Vaults
Savings Accounts
Travelers Checks
Trust Services
U.S. Savings Bonds
Vacation Club Accounts

Banking Centers And Services

Banks and Banking (T. H)

DATE OF STATEMENT 07-6-77

The Organizer

TERRE HAUTE FIRST NATIONAL BANK

ACCOUNT NUMBER 16-7050 6

FDIC

STATEMENT OF YOUR ACCOUNT

JOHN J JONES
MRS JOHN J JONES
1122 SOUTH FIRST STREET
TERRE HAUTE INDIANA 47807

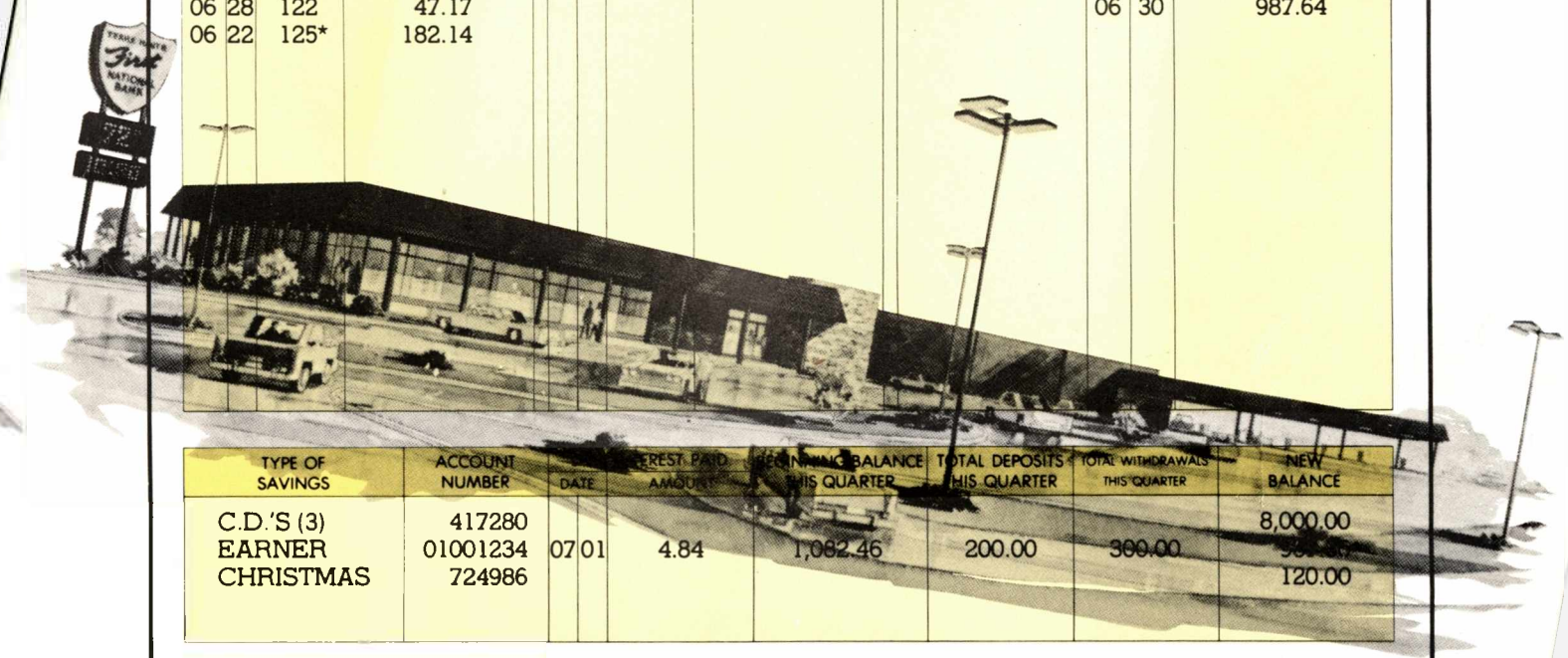
(PLEASE NOTIFY US OF ANY CHANGE OF ADDRESS)

FOR INFORMATION CONCERNING YOUR ACCOUNTS PLEASE CALL

INSTALLMENT LOANS	238-6304
MORTGAGE	238-6311
C.D.'S	238-6358
SAVINGS	238-6357
CHECKING	238-6391

DATE LAST STATEMENT	BALANCE LAST STATEMENT	NO. OF DEBITS	TOTAL AMOUNT OF CHECKS	SERVICE CHARGE	NO. OF CREDITS	TOTAL AMOUNT OF DEPOSITS	BALANCE THIS STATEMENT
06-20-77	$1,286.03	6	$982.71	.00	2	$684.32	$987.64

DATE PAID	CHECK NUMBER	AMOUNT PAID	DATE PAID	CHECK NUMBER	AMOUNT PAID	AMOUNT DEPOSITED	DATE	BALANCE
06 24	118	487.60					06 21	1,045.91
06 21	119	221.70					06 22	863.77
06 21	120	18.42				400.00	06 24	776.17
06 30	121	25.68				284.32	06 28	1,013.32
06 28	122	47.17					06 30	987.64
06 22	125*	182.14						



TYPE OF SAVINGS	ACCOUNT NUMBER	INTEREST PAID DATE	INTEREST PAID AMOUNT	BEGINNING BALANCE THIS QUARTER	TOTAL DEPOSITS THIS QUARTER	TOTAL WITHDRAWALS THIS QUARTER	NEW BALANCE
C.D.'S (3)	417280						8,000.00
EARNER	01001234	07 01	4.84	1,082.46	200.00	300.00	[illegible]
CHRISTMAS	724986						120.00

PURPOSE OF LOAN	ACCOUNT NUMBER	NEXT PAYMENT DATE	NEXT PAYMENT AMOUNT	REMAINING BALANCE	REMAINING PAYMENTS	PAYMENT REQUIRED TO PAY LOAN IN FULL	IF PAID BEFORE
PERSONAL LOAN	712486	08 15	140.87	1,408.70	10	1,287.16	08 12
1977 CHEV.	794286	07 20	186.40	5,219.20	28	4,787.15	07 20
MORTGAGE	114786	07 30	287.60	42,787.60		BAL + INT	

TERRE HAUTE FIRST NATIONAL BANK '77 annual report

FINANCIAL HIGHLIGHTS

	1977	1976 (Unaudited)	% Change
FOR THE YEAR:			
Operating Income	$17,356,798	$15,434,549	+12.45
Operating Expenses	15,327,894	13,677,591	+12.07
Net Operating Income Before Securities Gains and Losses	2,028,904	1,756,958	+15.48
Net Operating Income Per Share	12.51	10.85	+15.48
Net Income	2,071,008	1,668,958	+24.09
Net Income Per Share	12.78	10.30	+24.09
Dividends Declared	567,000	567,000	-0-
Cash Dividends Paid Per Share	567,000	567,000	-0-
Interest Paid Depositors	8,172,194	7,379,822	+10.74
AT YEAR END:			
Assets	$248,774,615	$227,386,638	+ 9.41
Deposits	229,607,062	208,276,510	+10.24
Loans	133,660,739	112,074,436	+19.26
Investments	78,859,062	71,199,408	+10.76
Capital Funds	16,396,679	14,892,671	+10.10
Number of Shares Outstanding	162,000	162,000	-0-
Book Value Per Share	101.21	91.93	+10.10
Number of Shareholders	360	361	— .28
Number of Officers and Employees (Full Time)	258	240	+ 7.50

TO OUR FRIENDS

TO: Shareholders, Customers and Staff:

Many varied thoughts and emotions come to mind as one reflects on the events and activities affecting our bank in 1977. From our beginning August 3, 1863, with the granting of Charter No. 47 by the Comptroller of the Currency, there have been many significant milestones in our history. This year, in particular, has been noteworthy in our rich heritage.

The front cover illustrates "The Organizer" statement. This combined statement format was introduced to our customers and the Greater Terre Haute Community November 1, 1977. The primary features of this statement include (1) listing cancelled checks by number in the order they were written, (2) the date and balance of the checking account each day it changes, (3) a summary of any or all savings accounts including the "Earner" accounts, Certificates of Deposit, and Christmas Club, and (4) a listing of installment and mortgage loans outstanding with their remaining balances, remaining payments required to pay loan in full. The acceptance of this "Organizer" program has been very encouraging. With our campaign just months old we have already achieved a higher percentage of usage than the average for banks that have offered the program for several years. We are very optimistic about the future growth of this program.

Our move to the new Operations Center was completed in May. This facility has proved to be very beneficial for the internal operations by having these departments all in one building. In June we opened our ninth branch, the Springhill Branch, located at the Operations Center. As a full service branch it is serving the needs of the Commercial and Residential growth in Southern Vigo County. In August, our Mortgage Loan Department moved to newly remodeled facilities at 523 Wabash Avenue. These facilities have been designed to allow us to grow to efficiently serve the anticipated growth of our bank.

For 1977, our bank had a 10.2% increase in deposits which resulted in additional deposits of over $21 million. Our loans outstanding had an increase of 19.3% which resulted in our loan to deposit ratio being 58.2% at the end of the year.

We are proud to report that we had record earnings for 1977 of $2,071,008. This increase of 24.1% in net income is particularly encouraging because of our non-reoccurring costs this year related to the new facilities. The Board of Directors declared an extra $.50 per share dividend in May and an extra $1.00 per share dividend in November. These extra dividends in addition to the regular $2.00 per share dividend resulted in total dividends declared of $3.50 per share for a total of $567,000. Our dividends to net profits is now 27.4%. The dividends paid in 1977 was $3.50. The book value per share increased by 10.1% to an End of the Year total of $101.21. During the year your Board of Directors authorized a transfer of $3,840,000 from Undivided Profits to Surplus to strengthen our permanent Capital.

It is with our deepest regrets that we report to you the passing of Anton Hulman, Jr. Mr. Hulman had been a Director in our Bank for over fifty years. His many philanthropic activities will provide an invaluable legacy for the Terre Haute community. Our bank is indeed fortunate to have had the service and counsel of Mr. Hulman and his influence will be felt in our organization for many years. On a following page is a tribute to Mr. Hulman.

The financial statements for 1977 have been audited by the accounting firm of Ernst & Ernst. In prior years this firm had conducted a more limited Directors' Exam. Your Board of Directors felt it would be beneficial for the bank to have a more extensive examination that is required for the accounting firm to give its opinion about our financial statements. This change is consistent with our goal of operating our bank in a prudent businesslike manner.

At a meeting of the Board of Directors in November, the addition of Mrs. Mary Fendrich Hulman to our Board was approved. Mrs. Hulman has been active in many civic and charitable organizations and we welcome her to our Board.

At the December Board of Directors' meeting the following new officers were elected as of January 1, 1978: Nicholas J. Anderson, Assistant Cashier and Assistant Branch Manager - Springhill Branch; Phillip R. Garrigus, Assistant Cashier and Assistant Branch Manager - Southland Branch; Jeffrey K. Redman, Assistant Cashier and Assistant Branch Manager - Plaza North Branch. Michael A. Carty's title was changed from Assistant Cashier to Assistant Controller.

It is with cautious optimism that we look toward 1978 and beyond. We feel that the activities of 1977 have developed a solid foundation for future growth and profits. To avoid merely resting on our laurels must remain a primary concern as we strive to do better. We are well aware that the ability, skills, and dedication of our staff, officers, and directors, as well as your continued loyalty are necessary for the Bank's future success.

Respectfully submitted,

Donald E. Smith

Donald E. Smith
President

STATEMENTS OF CONDITION

	December 31 1977	1976 Unaudited - Note B
ASSETS		
Cash and due from banks	$ 21,604,686	$ 17,404,063
Investment Securities -- Note C	78,859,062	71,199,408
Federal Funds sold	5,200,000	18,200,000
Loans -- Notes D, E, and K	144,628,241	120,644,135
Unearned discount (deduction)	(10,967,502)	(8,569,699)
Reserve for possible loan losses (deduction)	(1,751,880)	(1,504,514)
	131,908,859	110,569,922
Investment in Leveraged and Direct Financing Leases -- Note F	2,629,787	2,576,923
Accrued Income Receivable	2,231,741	2,176,442
Recoverable Federal Income Taxes -- Note I	981,158	557,860
Other Real Estate	18,649	123,587
Premises and Equipment -- Note G	4,113,074	3,743,026
Other Assets	1,227,599	835,407
	$248,774,615	$227,386,638
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits -- Note H		
Demand deposits	$ 71,158,846	$ 62,441,469
Time and Savings deposits	158,448,216	145,835,041
	229,607,062	208,276,510
Federal funds purchased	500,000	2,000,000
Deferred Federal Income Taxes -- Note I	918,902	598,852
Other Liabilities	1,351,972	1,618,605
TOTAL LIABILITIES	232,377,936	212,493,967
SHAREHOLDERS' EQUITY		
Common Stock, par value $20 a share -- authorized, issued and outstanding 162,000 shares	3,240,000	3,240,000
Additional capital	9,260,000	5,420,000
Retained earnings	3,896,679	6,232,671
TOTAL SHAREHOLDERS' EQUITY	16,396,679	14,892,671
Commitments -- Note L		
	$248,774,615	$227,386,638

See notes to financial statements

STATEMENTS OF INCOME

	Year Ended December 31 1977	1976 Unaudited - Note B
OPERATING INCOME:		
Interest and fees on loans	$11,260,574	$ 9,607,012
Interest on balances with banks	128,672	290,237
Interest on federal funds sold	516,084	917,708
Interest on investment securities:		
United States Government	1,812,946	1,715,610
United States Government agencies	409,647	396,733
State and municipal	1,840,094	1,436,033
Other	21,748	15,988
Income from leveraged and direct financing leases	176,460	119,569
Trust department income	342,897	276,592
Service charges on deposit accounts	181,516	161,139
Other service charges and fees	545,514	369,030
Other income	120,646	128,898
	$17,356,798	$15,434,549
OPERATING EXPENSES:		
Salaries and wages	2,360,300	2,107,860
Pension and other employee benefits	541,374	507,188
Interest on time certificates of deposit of $100,000 or more	882,907	1,019,990
Interest on other deposits	7,289,287	6,359,832
Interest on federal funds purchased	121,416	141,258
Occupancy expense	487,698	343,945
Equipment expense	263,948	320,733
Data processing expense	558,611	401,068
Provision for possible loan losses	210,000	420,000
Other expenses	2,612,353	2,055,717
	15,327,894	13,677,591
INCOME BEFORE FEDERAL INCOME TAXES AND SECURITY LOSSES	2,028,904	1,756,958
Federal income taxes (credit) -- Note I	(42,104)	62,630
INCOME BEFORE SECURITY LOSSES	2,071,008	1,694,328
Security losses, less applicable federal income tax credit of $23,469	—	(25,370)
NET INCOME	$ 2,071,008	$ 1,668,958
Income (loss) per share of Common Stock (based on average number of shares outstanding during the year):		
Income before security losses	$ 12.78	$ 10.46
Security losses	—	(.16)
Net Income	$ 12.78	$ 10.30

See notes to financial statements

STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Stock	Additional Capital	Retained Earnings
Year ended December 31, 1976 (unaudited):			
Balance at January 1, 1976:			
As previously reported	$3,240,000	$5,420,000	$5,237,080
Restatement -- Note B			(106,367)
As restated	3,240,000	5,420,000	5,130,713
Additions (deductions):			
Net income			1,668,958
Cash dividends -- $3.50 per share			(567,000)
BALANCES AT DECEMBER 31, 1976	3,240,000	5,420,000	6,232,671
Year ended December 31, 1977:			
Additions (deductions):			
Net income			2,071,008
Transfer to additional capital		3,840,000	(3,840,000)
Cash dividends -- $3.50 per share			(567,000)
BALANCES AT DECEMBER 31, 1977	$3,240,000	$9,260,000	$3,896,679

STATEMENTS OF CHANGES IN FINANCIAL POSITION

	Year Ended December 31 1977	1976 Unaudited - Note B
SOURCE OF FUNDS		
Net income	$ 2,071,008	$ 1,668,958
Charges to income not requiring current outlay of cash:		
Provision for depreciation	327,656	234,880
Provision for possible loan losses	210,000	420,000
Provision for deferred federal income taxes	373,071	595,431
Amortization of premiums, less accretion of discounts on investment securities	129,284	168,527
TOTAL FROM OPERATIONS	$ 3,111,019	$ 3,087,796
Decrease in federal funds sold	13,000,000	
Decrease in other real estate	104,938	
Increase in deposits	21,330,552	28,735,538
Increase in federal funds purchased		100,000
	$37,546,509	$31,923,334
APPLICATION OF FUNDS		
Increase in cash and due from banks	$ 4,200,623	$ 944,106
Increase in investment securities	7,788,938	5,952,474
Increase in federal funds sold		7,700,000
Increase in loans	21,548,937	12,276,599
Increase in leveraged and direct financing leases	105,885	1,664,258
Increase in accrued income receivable	55,299	168,765
Increase in recoverable federal income taxes	423,298	557,860
Increase in other real estate		85,727
Net additions to premises and equipment	697,704	1,810,989
Increase in other assets	392,192	127,657
Decrease in federal funds purchased	1,500,000	
Decrease in other liabilities	266,633	67,899
Cash dividends	567,000	567,000
	$37,546,509	$31,923,334

See notes to financial statements

NOTES TO FINANCIAL STATEMENTS

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

Investment Securities: Investment securities are stated at cost adjusted for amortization of premium and accretion of discount, both computed by the straight-line method. Gains and losses on the sale of investment securities are based on the adjusted cost of the specific security.

Loans: Interest income on commercial and mortgage loans is recorded monthly as earned. Interest income on consumer loans is principally recorded by the sum-of-the-months-digits method.

Reserve for Possible Loan Losses: The reserve for possible loan losses is maintained at a level considered adequate to provide for potential loan losses and is based on management's evaluation of potential losses in the loan portfolio, as well as prevailing and anticipated economic conditions. The allowance is increased by provisions charged to operating expense and reduced by net charge-offs.

Leveraged and Direct Lease Financing: Income from leveraged and direct financing leases, including tax benefits, is, in general, recognized as a constant return on the unrecovered investment.

Premises and Equipment: Premises and equipment are recorded on the basis of cost. Provisions for depreciation are computed on the declining-balance and straight-line methods. Buildings and building improvements are depreciated over lives which range from 5 to 50 years. Furniture and equipment is generally depreciated over a range of 3 to 20 years. The costs of maintenance and repairs are charged to operating expenses as incurred and the costs of major additions and improvements are capitalized. Gains or losses from dispositions of premises and equipment are included in income.

Federal Income Taxes: Federal income taxes are deferred for timing differences between pretax accounting income and taxable income. The investment tax credit resulting from expenditures for premises and equipment purchased for the Bank's own use is treated as a reduction of the provision for income taxes in the year the asset is placed in service. The investment tax credit relating to assets owned and leased to others is deferred and amortized over the term of the investment.

Employee Retirement Plan: The Bank has a noncontributory retirement plan covering approximately one-half of its employees. Operating expenses include annual payments to the plan, which are computed actuarially by the entry age normal cost method to include normal costs and amortization of prior service costs over ten years.

NOTE B -- 1976 FINANCIAL STATEMENTS

The 1976 financial statements have not been examined by independent auditors and have been restated to reflect certain liability accounts not previously recorded. This restatement had the effect of reducing retained earnings at January 1, 1976 by $106,367 and reducing net income for the year ended December 31, 1976 by $38,939 ($.24 per share) from the amounts previously reported. Also certain amounts in the 1976 financial statements have been reclassified to conform to the 1977 presentation.

NOTE C -- INVESTMENT SECURITIES

Investment securities are summarized as follows:

	December 31 1977 Carrying Amount	1977 Market Price	1976 Carrying Amount	1976 Market Price
U.S. Government	$34,254,338	$34,048,594	$23,931,337	$24,325,461
U.S. Government agencies	6,420,103	6,362,844	6,007,510	6,080,768
State and municipal	37,799,621	38,822,992	32,990,761	34,292,843
Other	385,000	385,000	8,269,800	8,269,800
Totals	$78,859,062	$79,619,430	$71,199,408	$72,968,872

Investment securities amounting to approximately $14,120,000 at December 31, 1977 were pledged as collateral for public deposits and for other purposes.

NOTE D -- LOANS

Loans are summarized as follows:

	December 31 1977	1976
Real estate mortgage loans	$ 60,994,306	$ 48,232,084
Loans to financial institutions	66,522	1,139,000
Loans for purchasing or carrying securities	31,500	52,908
Loans to farmers	1,424,476	662,188
Commercial and industrial loans	29,763,550	23,741,284
Consumer loans	51,945,162	43,335,390
Other	402,725	3,481,281
Totals	$144,628,241	$120,644,135

NOTE E -- RESERVE FOR POSSIBLE LOAN LOSSES

Changes in the reserve for possible loan losses are summarized as follows:

	1977	1976
Balance at beginning of year	$1,504,514	$1,299,676
Provision for possible loan losses charged to operating expenses	210,000	420,000
Recoveries of loans previously charged off	294,456	86,895
Loans charged off (deduction)	(257,090)	(302,057)
Balance at end of year	$1,751,880	$1,504,514

The reserve for possible loan losses for federal income tax purposes was $1,506,575 and $1,435,618 at December 31, 1977 and 1976 respectively. The difference between these amounts and those reported in the financial statements represent additional provisions for possible loan losses in the financial statements in excess of that permitted in filing federal income tax returns.

NOTE F -- INVESTMENT IN LEVERAGED AND DIRECT FINANCING LEASES

Investment in leases is summarized as follows:

	December 31 1977	1976
Leveraged leases	$1,644,959	$1,565,430
Direct financing leases	984,828	1,011,493
Totals	$2,629,787	$2,576,923

The Bank is the lessor in leveraged lease agreements entered into in 1975, 1976, and 1977. Under terms of the agreements, various machinery and equipment having estimated economic lives of 9 to 20 years was leased for terms of 7 to 15 years, respectively. The Bank's equity investment represented approximately 22% to 43% of the purchase price; the remaining amounts were furnished by third-party financing in the form of long-term debt that provides for no recourse against the Bank and are secured by first liens on the property. At the end of the lease term, the machinery and equipment will be returned to the Bank. The residual value at that time is estimated to be 20% of original cost. For federal income tax purposes, the Bank generally receives the investment tax credit and has the benefit of tax deductions for depreciation on the entire leased assets and for interest on the long-term debt. Since during the early years of the leases those deductions exceed the lease rental income, substantial excess deductions are available to be applied against the Bank's other income. In the later years of the leases, rental income will exceed the deductions and taxes will be payable. Deferred taxes have been provided to reflect this timing difference.

The Bank's net investment in leveraged leases is composed of the following elements:

	December 31 1977	1976
Rentals receivable (net of principal and interest on the nonrecourse debt)	$1,093,384	$1,188,813
Estimated residual value of leased assets	838,096	840,554
Unearned and deferred income (deduction)	(286,521)	(463,937)
Investment in leveraged leases	1,644,959	1,565,430
Deferred taxes arising from leveraged leases (deduction)	(929,910)	(437,236)
Net investment in leveraged leases	$ 715,049	$1,128,194

Income earned as a result of leveraged lease transactions for the years ended December 31, 1977 and 1976 was as follows:

	1977	1976
Income before taxes and investment tax credit	$ 80,585	$ 10,591
Income tax expense (deduction)	(38,681)	(5,084)
	41,904	5,507
Investment credit recognized	44,697	643
Income earned	$ 86,601	$ 6,150

The Bank is the lessor in a direct financing lease of certain shipping equipment. The lease was entered into in 1975 for a period of 15 years. The components of the Bank's net investment in the direct financing lease are as follows:

	December 31 1977	1976
Net minimum lease payments receivable	$1,528,317	$1,675,271
Estimated residual value of lease property	99,069	99,069
Unearned income (deduction)	(642,558)	(762,847)
Totals	$ 984,828	$1,011,493

At December 31, 1977, minimum lease payments for each of the succeeding five years amounts to approximately $117,600 per year. Such amounts exclude executory costs such as taxes, insurance and maintenance.

NOTE G -- PREMISES AND EQUIPMENT

Premises and equipment are summarized as follows:

	December 31 1977	1976
Land	$ 789,239	$ 789,239
Building and leasehold improvements	3,681,813	3,395,207
Furniture and equipment	1,699,012	1,317,969
	6,170,064	5,502,415
Allowances for depreciation (deduction)	(2,056,990)	(1,759,389)
Totals	$4,113,074	$3,743,026

NOTE H -- DEPOSITS

Deposits are summarized as follows:

	December 31 1977	1976
Demand deposits of individuals, partnerships and corporations	$ 60,759,224	$ 56,082,453
Time and savings deposits of individuals, partnerships and corporations	149,647,216	135,847,105
Deposits of U.S. government	1,150,750	1,474,358
Deposits of states and political subdivisions	15,494,576	13,512,633
Deposits of commercial banks	905,234	353,297
Certified and official checks	1,650,062	1,006,664
Totals	$229,607,062	$208,276,510

NOTE I -- FEDERAL INCOME TAXES

Federal income tax expense (credit) is summarized as follows:

	1977	1976
Current (recoverable)	$(415,175)	$(532,801)
Deferred	373,071	595,431
Totals	$ (42,104)	$ 62,630

Deferred federal income tax expense results from the following:

Operating method of accounting for leveraged and direct lease financing transactions for tax purposes	$499,728	$676,138
Bad debt deductions for tax purposes less than that provided for financial reporting purposes	(100,800)	(101,176)
Accretions of securities not included for tax purposes	31,400	9,878
Other (credit)	(57,257)	10,591
Totals	$373,071	$595,431

A reconciliation of federal income tax expense with the amount computed by applying the statutory federal income tax rate to income before federal income taxes and security losses is summarized as follows:

Federal income taxes computed at statutory rate	$ 973,874	$ 843,340
Add (deduct) tax effect of:		
Non-taxable interest from municipal securities and loans	(896,794)	(739,016)
Investment tax credits and jobs credit ($40,129 in 1977)	(130,884)	(45,253)
Other items	11,700	3,559
	(1,015,978)	(780,710)
Totals	$ (42,104)	$ 62,630

Federal income tax returns have been examined by the Internal Revenue Service through December 31, 1974 and all matters have been resolved.

NOTE J -- EMPLOYEE RETIREMENT PLAN

Operating expenses for 1977 and 1976 include $261,000 and $257,000, respectively, for payments to the employee retirement plan. The unfunded accrued liability at the latest valuation date (January 1, 1977) was approximately $787,000.

NOTE K -- RELATED PARTY TRANSACTIONS

Certain related parties (directors of the Bank, including their affiliates, families and companies in which they are principal owners or exercise significant influence) were loan customers of, and had other transactions with, the Bank in the ordinary course of business during 1977 and 1976. Total loans outstanding to these persons at December 31, 1977 and 1976 were $3,580,000 and $3,420,000, respectively. Included in the $3,580,000 at December 31, 1977 are loans to two directors amounting to $2,105,000 and $1,004,000 respectively. Included in the $3,420,000 at December 31, 1976 are loans to one director amounting to $2,328,000. These amounts do not include loans made in the ordinary course of business to other companies with which the Bank has no relationship other than one of its directors is associated in the capacity of officer or director.

NOTE L -- COMMITMENTS

Total rental expense for all leases amounted to $70,000 and $189,000 for 1977 and 1976, respectively. Future rental commitments and noncapitalized financing leases are not material at December 31, 1977.

The Bank is obligated under an electronic data processing service contract, expiring on February 1, 1981, which provides for minimum annual fees of approximately $550,000. Unused letters of credit outstanding at December 31, 1977 and 1976 were $108,000 and $280,000, respectively.

REPORT OF ERNST & ERNST, INDEPENDENT AUDITORS

Shareholders and Board of Directors
Terre Haute First National Bank
Terre Haute, Indiana

We have examined the statement of condition of Terre Haute First National Bank as of December 31, 1977, and the related statements of income, shareholders' equity and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements for the year 1976 and, accordingly, do no express an opinion on them.

In our opinion, the financial statements referred to above present fairly the financial position of Terre Haute First National Bank at December 31, 1977, and the results of its operations and the changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Terre Haute, Indiana
January 24, 1978

Ernst & Ernst

E&E

FIVE-YEAR COMPARATIVE SUMMARY (Thousands)

STATEMENT OF CONDITION:

	1977	1976 Unaudited	1975 Unaudited	1974 Unaudited	1973 Unaudited
ASSETS					
Cash and Due From Banks	$ 21,605	$ 17,404	$ 16,460	$ 19,338	$ 21,653
Investment Securities	78,859	71,199	65,415	56,370	46,002
Federal Funds Sold	5,200	18,200	10,500	7,900	24,700
Loans, Net of Unearned Discount	133,661	112,074	101,004	87,099	73,022
Less: Reserve for Loan Losses	(1,752)	(1,504)	(1,300)	(1,189)	(1,230)
Loans, Net	$131,909	$110,570	$ 99,704	$ 85,910	$ 71,792
Other Assets	11,202	10,014	4,983	4,510	3,141
TOTAL ASSETS	$248,775	$227,387	$197,062	$174,028	$167,288
LIABILITIES					
Deposits					
Demand	$ 71,159	$ 62,441	$ 56,245	$ 53,121	$ 58,967
Time	158,448	145,835	123,296	105,163	87,024
TOTAL DEPOSITS	$229,607	$208,276	$179,541	$158,284	$145,991
Federal Funds Purchased	500	2,000	1,900	2,031	9,000
Other Liabilities	2,271	2,218	1,785	838	988
TOTAL LIABILITIES	$232,378	$212,494	$183,226	$161,153	$155,979
CAPITAL					
Common Stock	$ 3,240	$ 3,240	$ 3,240	$ 3,240	$ 3,240
Surplus	9,260	5,420	5,420	5,420	5,420
Undivided Profits	3,897	6,233	5,176	4,215	2,649
TOTAL CAPITAL	$ 16,397	$ 14,893	$ 13,836	$ 12,875	$ 11,309
TOTAL LIABILITIES and CAPITAL	$248,775	$227,387	$197,062	$174,028	$167,288

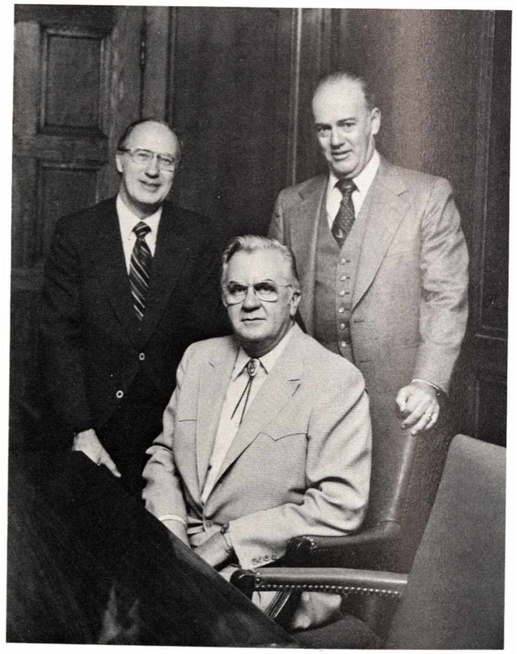
STATEMENT OF INCOME

OPERATING INCOME					
Interest and Fees on Loans	$ 11,261	$ 9,607	$ 8,654	$ 8,042	$ 6,235
Income on Federal Funds Sold	516	918	763	1,579	889
Interest on Securities	4,213	3,855	3,526	3,006	2,481
Other Income	1,367	1,055	875	724	939
TOTAL OPERATING INCOME	$ 17,357	$ 15,435	$ 13,818	$ 13,351	$ 10,544
OPERATING EXPENSES					
Salaries and Employee Benefits	$ 2,902	$ 2,615	$ 2,488	$ 2,158	$ 1,785
Interest on Deposits	8,172	7,380	6,241	5,846	4,197
Expense of Federal Funds Purchased	121	141	273	659	194
Provision for Loan Losses	210	420	657	232	302
Other Expenses	3,923	3,122	2,582	2,145	1,877
TOTAL EXPENSES	$ 15,328	$ 13,678	$ 12,241	$ 11,040	$ 8,355
Income Before Taxes and Securities Gains (Losses)	$ 2,029	$ 1,757	$ 1,577	$ 2,311	$ 2,189
Federal Income Taxes	(42)	63	33	479	693
Net Operating Income	$ 2,071	$ 1,694	$ 1,544	$ 1,832	$ 1,496
Securities Gains (Losses) Net	-0-	(25)	1	6	11
Net Income	$ 2,071	$ 1,669	$ 1,545	$ 1,838	$ 1,507

DIRECTORS

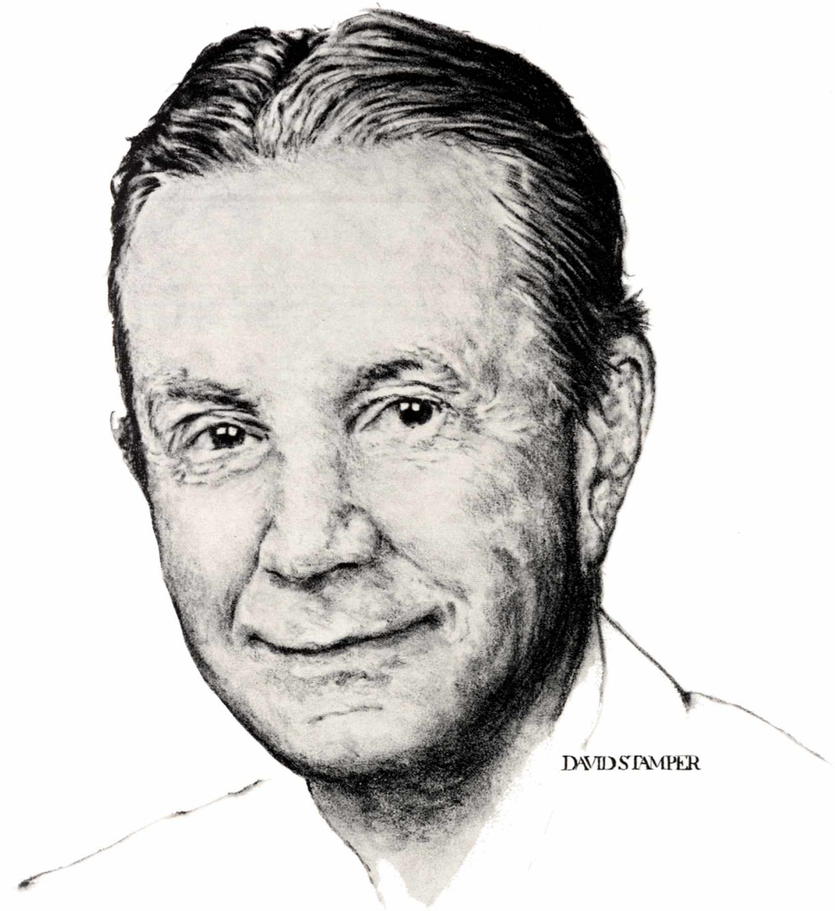
Left, Standing (L to R) Edward B. Ijams, Donald Smith, **Seated (L to R)** Mary Fenderich Hulman, Henry P. Smith.

Below, (L to R) Richard E. Conrad, William A. Niemeyer, Walter A. Bledsoe.



Above (L to R) Welby M. Frantz, Charles H. Hutchins.

Right, Standing (L to R) John W. Ragle, Patrick O'Leary; **Seated, (L to R)** John J. Cleary, W. N. Cox, Richard W. Kelly.



Anton Hulman 1901 : 1977

The Board of Directors of Terre Haute First National Bank has learned with deep sorrow and regret of the death on Thursday, October 27, 1977 of Anton Hulman, Jr., a valued and respected member of such Board.

Mr. Hulman has served many years as a member of the Board and contributed in an immeasurable amount to the growth and progress of this institution.

His interests were widespread and in all things he demonstrated to a rare degree in instinctive comprehension of business problems. He was firm and courageous, tenacious and unyielding in the things which he espoused and for which he stood. He had the highest sense of honor, and integrity in all things was his shibboleth.

In every position and every relation in life he measured up to the full standard of a real man and his worth will be better known and the more appreciated as we look at his life and labors in retrospect. In this recording our estimation of our departed friend and associate, we do simple justice to him and his memory. We mourn his loss and recognize that his place will be difficult to fill.

BE IT THEREFORE RESOLVED, That the members of the Board of Directors of this Bank hereby give formal expression to their grievous loss, and hereby note the passing of a friend and associate who was loved and respected by all, and to his family we extend heartfelt sympathy.

BE IT FURTHER RESOLVED, That this memorial be spread upon the record of this Association and that a copy thereof be transmitted to his family.

OFFICERS

643-645 WABASH AVENUE

DONALD E. SMITH, President & Chief Executive Officer
RICHARD E. CONRAD, Senior Vice President & Cashier
KING A. FASIG, Senior Vice President & Trust Officer
RAY G. INGRAM, Administrative Vice President
RAYMOND L. NORRIS, Vice President - Commercial Loans
JACK H. PAGE, Vice President & Trust Officer
JOHN W. PERRY, Vice President-Finance & Controller
MICHAEL A. CARTY, Assistant Controller
WINNIE JO COCHRAN, Assistant Controller
GRACE R. REDMAN, Assistant Vice President & Branch Manager
ROBERT D. GIBBONS, Assistant Cashier & Customer Investment Officer
JANET MASTERS, Assistant Cashier
FRANCES PERDIEU, Assistant Cashier & Assistant Branch Manager
TED J. SAVOREE, Assistant Cashier & Assistant Trust Officer
CARY W. SPARKS, Assistant Trust Officer

W. N. COX, Counsel

511-523 WABASH AVENUE

JAMES E. BROWN, Senior Vice President - Mortgage Loans
JANE WASHBURN, Assistant Vice President & Branch Manager
JAMES A. WATKINS, Assistant Vice President - Mortgage Loans
VERNON M. COOK, Assistant Cashier - Mortgage Loans
ALBERT R. MONNINGER, Assistant Cashier - Installment Loans
PETE J. PIAZZA, Assistant Cashier - Credit Cards
DAVID E. ROGERS, Mortgage Loan Officer

OPERATIONS CENTER

STANLEY V. HART, Vice President - Operations
CHARLEY E. HENDRICKS, Vice President & Farm Manager
DON LOFTON, Vice President - Advertising & Public Relations
JERRALD L. TITUS, Vice President - Installment Loans
RICHARD O. WHITE, Vice President - Branch Administrator
KEITH L. MYERS, Auditor
JAMES H. CLAYTON, Assistant Vice President - Business Development
MARC BEESON, Assistant Vice President - Business Development
HANS H. HENSELER, Assistant Vice President - Personnel
WILLIAM H. JEFFRIES, Assistant Vice President - Bookkeeping
JERRY L. WILLIAMS, Assistant Vice President - Installment Loans
WILLIAM B. ADAMS, Assistant Cashier - Installment Loans
MERLE M. ALLEN, Assistant Cashier - Branch Administration
MARY JOYCE BROKAW, Assistant Cashier - Installment Loans
JOHN D. EVANS, Assistant Cashier - Operations
LAWRENCE W. SCHOPMEYER, Assistant Cashier - Collections
RONALD B. WEAVER, Assistant Cashier - Installment Loans
DON BOVENSCHULTE, Security Officer
LELA COOPER, Assistant Personnel Officer
PATTY MUNDELL, Bookkeeping Manager
WILLIAM G. O'ROURKE, Manager Proof Department

MAPLE AVENUE

LARRY W. HOWARD, Assistant Vice President & Branch Manager

MEADOWS CENTER

MORRIS G. CRUMRIN, Assistant Vice President & Branch Manager
WILLIAM R. FARRIS, Assistant Cashier & Assistant Branch Manager

PLAZA NORTH

DAVID BALLINGER, Assistant Vice President & Branch Manager
JEFFREY K. REDMAN, Assistant Cashier & Assistant Branch Manager

SEELYVILLE

MICHAEL F. HOLMES, Assistant Cashier & Branch Manager

SOUTHLAND

RONALD W. REAGAN, Assistant Vice President & Branch Manager
PHILLIP R. GARRIGUS, Assistant Cashier & Assistant Branch Manager

SPRINGHILL

LELAND S. SUTHERLAND, Assistant Vice President & Branch Manager
NICHOLAS J. ANDERSON, Assistant Cashier & Assistant Branch Manager

WEST TERRE HAUTE

HAROLD V. ROST, Assistant Vice President & Branch Manager
DAVID L. JOHNSTON, Assistant Vice President & Assistant Branch Manager

FULL SERVICE BRANCHES

MAIN OFFICE
Grace R. Redman, Manager
643-645 Wabash Avenue
Terre Haute, Indiana

DOWNTOWN BRANCH
Jane Washburn, Manager
511 Wabash Avenue
Terre Haute, Indiana

MAPLE AVENUE BRANCH
Larry W. Howard, Manager
(Drive-In Facilities)
4065 Maple Avenue
Terre Haute, Indiana

MEADOWS CENTER BRANCH
Morris G. Crumrin, Manager
(Drive-In Facilities)
350 South 25th Street
Terre Haute, Indiana

PLAZA NORTH BRANCH
David Ballinger, Manager
(Drive-In Facilities)
Ft. Harrison Road & Lafayette Ave.
Terre Haute, Indiana

SEELYVILLE BRANCH
Michael F. Holmes, Manager
(Drive-In Facilities)
Seelyville, Indiana

SOUTHLAND BRANCH
Ronald W. Reagan, Manager
(Drive-In Facilities)
7th Street & Margaret Avenue
Terre Haute, Indiana

SPRINGHILL BRANCH
Leland S. Sutherland, Manager
(Drive-In Facilities)
4500 Dixie Bee Road
Terre Haute, Indiana

WEST TERRE HAUTE BRANCH
Harold V. Rost, Manager
309 National Avenue
West Terre Haute, Indiana

BANK SERVICES

Auto Banking
Bank By Mail
Certificates of Deposit
Checking Accounts
Christmas Club Accounts
Commercial Loans
Computer Services
Direct Lease Financing
Installment Loans
Master Charge
Money Orders
Mortgage Loans and Servicing
Night Depository
Safe Deposit Vaults
Savings Accounts
Travelers Checks
Trust Services
U.S. Savings Bonds
Vacation Club Accounts
VISA (BankAmericard)

DATE OF STATEMENT
07-6-77

ACCOUNT NUMBER
16-7050 6

The Organizer

TERRE HAUTE
FIRST NATIONAL BANK

FDIC

STATEMENT OF
YOUR ACCOUNT

JOHN J JONES
MRS JOHN J JONES
1122 SOUTH FIRST STREET
TERRE HAUTE INDIANA 47807

(PLEASE NOTIFY US OF ANY CHANGE OF ADDRESS)

FOR INFORMATION CONCERNING
YOUR ACCOUNTS PLEASE CALL

INSTALLMENT LOANS	238-6304
MORTGAGE	238-6311
C.D.'S	238-6358
SAVINGS	238-6357
CHECKING	238-6391

DATE LAST STATEMENT	BALANCE LAST STATEMENT	NO. OF DEBITS	TOTAL AMOUNT OF CHECKS	SERVICE CHARGE	NO. OF CREDITS	TOTAL AMOUNT OF DEPOSITS	BALANCE THIS STATEMENT
06-20-77	$1,286.03	6	$982.71	.00	2	$684.32	$987.64

DATE PAID	CHECK NUMBER	AMOUNT PAID	DATE PAID	CHECK NUMBER	AMOUNT PAID	AMOUNT DEPOSITED	DATE	BALANCE
06 24	118	487.60					06 21	1,045.91
06 21	119	221.70					06 22	863.77
06 21	120	18.42				400.00	06 24	776.17
06 30	121	25.68				284.32	06 28	1,013.32
06 28	122	47.17					06 30	987.64
06 22	125*	182.14						

TYPE OF SAVINGS	ACCOUNT NUMBER	DATE	INTEREST PAID AMOUNT	REMAINING BALANCE THIS QUARTER	TOTAL DEPOSITS THIS QUARTER	TOTAL WITHDRAWALS THIS QUARTER	NEW BALANCE
C.D.'S (3)	417280						8,000.00
EARNER	01001234	07 01	4.84	1,082.46	200.00	300.00	[illegible]
CHRISTMAS	724986						120.00

PURPOSE OF LOAN	ACCOUNT NUMBER	NEXT PAYMENT DATE	NEXT PAYMENT AMOUNT	REMAINING BALANCE	REMAINING PAYMENTS	PAYMENT REQUIRED TO PAY LOAN IN FULL	IF PAID BEFORE	
PERSONAL LOAN	712486	08 15	140.87	1,408.70	10	1,287.16	08	12
1977 CHEV.	794286	07 20	186.40	5,219.20	28	4,787.15	07	20
MORTGAGE	114786	07 30	287.60	42,787.60		BAL + INT		

TERRE HAUTE FIRST NATIONAL BANK

'77 annual report

Banks and Banking (7:11

Banks + Banking (T.H.)

Terre Haute First National Bank Annual Report

1978

FINANCIAL HIGHLIGHTS

	1978	1977	% Change
FOR THE YEAR:			
Operating Income	$20,980,016	$17,258,136	+21.57
Operating Expenses	17,710,893	15,229,232	+16.30
Income Before Federal Income Taxes and Security Losses	3,269,123	2,028,904	+61.13
Net Income	2,726,483	2,071,008	+31.65
Net Income Per Share	16.83	12.78	+31.65
Dividends Declared	648,000	567,000	+14.29
Cash Dividends Paid Per Share	4.00	3.50	+14.29
Interest Paid Depositors	9,876,711	8,172,194	+20.86
AT YEAR END:			
Assets	$276,217,071	$248,774,615	+11.03
Deposits	251,256,510	229,607,062	+ 9.43
Loans	157,610,989	133,660,739	+17.92
Investments	69,186,148	78,859,062	−12.27
Capital Funds	18,475,162	16,396,679	+12.68
Number of Shares Outstanding	162,000	162,000	-0-
Book Value Per Share	$114.04	$101.21	+12.68
Number of Shareholders	362	360	+ .01
Number of Officers and Employees (Full Time)	259	258	+ .01

TO OUR FRIENDS

TO Our Shareholders, Customers and Staff:

Significant progress and success have marked our bank from its beginning in 1863. In the 116 years that Terre Haute First National Bank has issued annual reports many records have been established and subsequently broken. The year 1978 brought a standard of performance that future years will find difficult to emulate.

We are proud to report that we again achieved record earnings of $2,726,483. This increase of $31.65% came in a period of time when our economy was experiencing a resurgence of inflationary problems. Our return on average assets of 1.05% brings us above the average rate that banks our size earn on Assets. The Board of Directors declared an extra $1.00 per share dividend in May and an extra $1.00 per share dividend in November. These extra dividends in addition to the regular $2.00 per share dividend resulted in total dividends declared of $4.00 per share for a total of $648,000. The book value increased by 12.68% to $114.04 per share at year end.

A major part of our increased profits was a direct result of our increase in Loans Outstanding which increased by 17.92% during 1978 while our Interest Income from Loans increased by 31.22%. At the December Board of Directors meeting a Community Re-investment Act Statement was adopted which delineated the local community we serve and the types of loans that are made within this area. This statement was approved to indicate our efforts to help meet the credit needs of our local community in compliance with Title VIII of the Housing and Community Development Act of 1977. With a loan-to-deposit ratio of 62.73%, we feel we are serving our community in one of our primary banking functions.

Our growth in deposits this year was a total of $21,649,448 which represented a 9.43% increase. Part of this growth was the result of the introduction of the six-months savings certificate based upon the average U.S. Treasury Bill rate for the same period. The Federal Reserve Board authorized financial institutions to begin offering these June 1, 1978. The effect of disintermediation has been dampened with this new type of time deposit.

As of November 1, 1978, Terre Haute First National Bank began offering the automatic transfer service. This program, established by the Federal Reserve Board, allows a customer to have a balance transferred from their savings account to cover overdrafts in their checking accounts. To date, most banks like ours, have had very little activity in this program. During 1979, we expect to introduce several additional marketing programs in our continued effort to achieve profitable growth while maintaining our market share.

Like all service organizations we are dependent upon the quality of our personnel to perform the various banking functions. This year three of our Officers successfully completed programs sponsored by national banking organizations. Keith Myers, Auditor, was one of only 81 individuals in the United States that successfully passed all parts of a two-day examination, certifying Keith as a Chartered Bank Auditor. Richard O. White, Vice President, Branch Administration, became our bank's first graduate of the American Bankers Association's Stonier Graduate School of Banking at Rutgers University. Stanley V. Hart, Vice President-Operations, graduated from the Postgraduate Course of the Graduate School of Banking at the University of Wisconsin. In the future, we will continue to emphasize educational programs, seminars, and other professional development activities for our personnel. Only by maintaining and improving the skills of our people can we expect to serve our customers.

At the December Board of Directors meeting the following new officers were elected as of January 1, 1979:

Martha J. Kelley, Assistant Cashier; Deborah S. Pierce, Assistant Cashier; and Nan Turner, Assistant Personnel Officer.

Following is a list of Officers that were promoted along with their new title:

Michael A. Carty, Controller; Vernon M. Cook, Assistant Vice President, Mortgage Loans; John D. Evans, Assistant Vice President, Operations; Janet Masters, Assistant Vice President, Commercial Loans; Winnie Jo Cochran, Assistant Cashier and Branch Manager; Lela Cooper, Assistant Cashier and Personnel Officer; William G. O'Rourke, Assistant Cashier and Manager, Data Entry; and David E. Rogers, Assistant Cashier and Mortgage Loan Officer.

In past periods our bank has had very little impact from the cyclical pattern of our national economy. By primarily serving the Vigo County community we are fortunate to have a stable economic base from which to develop our banking strategies. We are optimistic about 1979, realizing that we will need to exert additional effort to maintain the record of this year. With our staff, officers, and directors, as well as your continued loyalty, we look forward to the challenges ahead.

Respectfully submitted,

Donald E. Smith

Donald E. Smith
President

STATEMENTS OF CONDITION

	December 31 1978	1977
ASSETS		
Cash and Due From Banks	$ 25,870,769	$ 21,604,686
Investment Securities -- Note B	69,186,148	78,859,062
Federal Funds Sold	14,500,000	5,200,000
Loans -- Notes C, D and J	171,122,113	144,628,241
Unearned discount (deduction)	(13,511,124)	(10,967,502)
Reserve for possible loan losses (deduction)	(1,885,032)	(1,751,880)
	155,725,957	131,908,859
Investment in Leveraged and Direct Financing Leases -- Note E	2,964,497	2,629,787
Accrued Income Receivable	2,445,646	2,231,741
Recoverable Federal Income Taxes -- Note H	--	981,158
Other Real Estate	150,234	18,649
Premises and Equipment -- Note F	4,320,072	4,113,074
Other Assets	1,053,748	1,227,599
	$276,217,071	$248,774,615
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits -- Note G		
Demand deposits	$ 70,892,377	$ 71,158,846
Time and savings deposits	180,364,133	158,448,216
	251,256,510	229,607,062
Funds Purchased and Securities Sold Under Agreements to Repurchase	3,337,992	500,000
Deferred Federal Income Taxes -- Note H	1,326,621	918,902
Other Liabilities	1,820,786	1,351,972
TOTAL LIABILITIES	257,741,909	232,377,936
SHAREHOLDERS' EQUITY		
Common Stock, par value $20 a share -- authorized, issued and outstanding 162,000 shares	3,240,000	3,240,000
Additional capital	9,260,000	9,260,000
Retained earnings	5,975,162	3,896,679
TOTAL SHAREHOLDERS' EQUITY	18,475,162	16,396,679
Commitments -- Note K		
	$276,217,071	$248,774,615

See notes to financial statements

STATEMENTS OF INCOME

	Year Ended December 31 1978	1977
OPERATING INCOME:		
Interest and fees on loans	$14,646,131	$11,161,912
Interest on balances with banks	-	128,672
Interest on federal funds sold	569,755	516,084
Interest on investment securities:		
United States Government	2,046,016	1,812,946
United States Government agencies	391,057	409,647
State and municipal	1,804,901	1,840,094
Other	22,733	21,748
Income from leveraged and direct financing leases	141,147	176,460
Trust department income	377,043	342,897
Service charges on deposit accounts	234,426	181,516
Other service charges and fees	634,056	545,514
Other income	112,751	120,646
	20,980,016	17,258,136
OPERATING EXPENSES:		
Salaries and wages	2,639,911	2,360,300
Pension and other employee benefits	668,944	541,374
Interest on time certificates of deposit of $100,000 or more	1,891,748	882,907
Interest on other deposits	7,984,963	7,289,287
Interest on funds purchased	181,896	121,416
Occupancy expense	492,998	487,698
Equipment expense	303,340	263,948
Data processing expense	602,772	558,611
Provision for possible loan losses	505,000	210,000
Other expenses	2,439,321	2,513,691
	17,710,893	15,229,232
INCOME BEFORE FEDERAL INCOME TAXES AND SECURITY LOSSES	3,269,123	2,028,904
Federal income taxes (credit) -- Note H	534,723	(42,104)
INCOME BEFORE SECURITY LOSSES	2,734,400	2,071,008
Security losses, less applicable federal income tax credit of $7,308	7,917	
NET INCOME	$ 2,726,483	$ 2,071,008
Income (loss) per share of Common Stock (based on average number of shares outstanding during the year):		
Income before security losses	$16.88	$12.78
Security losses	(.05)	-
Net Income	$16.83	$12.78

See notes to financial statements

STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Stock	Additional Capital	Retained Earnings
Year ended December 31, 1977:			
Balances at January 1, 1977	$3,240,000	$5,420,000	$6,232,671
Additions (deductions):			
Net income	-	-	2,071,008
Transfer to additional capital	-	3,840,000	(3,840,000)
Cash dividends--$3.50 per share	-	-	(567,000)
BALANCES AT DECEMBER 31, 1977	3,240,000	9,260,000	3,896,679
Year ended December 31, 1978:			
Additions (deductions):			
Net income	-	-	2,726,483
Cash dividends--$4.00 per share	-	-	(648,000)
BALANCES AT DECEMBER 31, 1978	$3,240,000	$9,260,000	$5,975,162

STATEMENTS OF CHANGES IN FINANCIAL POSITION

	Year Ended December 31	
	1978	1977
SOURCE OF FUNDS		
Net income	$ 2,726,483	$ 2,071,008
Charges to income not requiring current outlay of cash:		
Provision for depreciation	376,685	327,656
Provision for possible loan losses	505,000	210,000
Provision for deferred federal income taxes	357,415	373,071
Amortization of premiums, less accretion of discounts on investment securities	115,384	129,284
TOTAL FROM OPERATIONS	4,080,967	3,111,019
Decrease in investment securities	9,557,530	-
Decrease in federal funds sold	-	13,000,000
Decrease in recoverable federal income taxes	981,158	-
Decrease in other real estate	-	104,938
Decrease in other assets	173,851	-
Increase in deposits	21,649,448	21,330,552
Increase in funds purchased and securities sold under agreement to repurchase	2,837,992	-
Increase in other liabilities	468,814	-
	$39,749,760	$37,546,509
APPLICATION OF FUNDS		
Increase in cash and due from banks	$ 4,266,083	$ 4,200,623
Increase in investment securities	-	7,788,938
Increase in federal funds sold	9,300,000	-
Increase in loans	24,322,098	21,548,937
Increase in leveraged and direct financing leases	284,406	105,885
Increase in accrued income receivable	213,905	55,299
Increase in recoverable federal income taxes	-	423,298
Increase in other real estate	131,585	-
Net additions to premises and equipment	583,683	697,704
Increase in other assets	-	392,192
Decrease in funds purchased	-	1,500,000
Decrease in other liabilities	-	266,633
Cash dividends	648,000	567,000
	$39,749,760	$37,546,509

See notes to financial statements

NOTES TO FINANCIAL STATEMENTS

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

Investment Securities: Investment securities are stated at cost adjusted for amortization of premium and accretion of discount, both computed by the straight-line method. Gains and losses on the sale of investment securities are based on the adjusted cost of the specific security.

Loans: Interest income on commercial and mortgage loans is recorded monthly as earned. Interest income on consumer loans is principally recorded by the sum-of-the-months-digits method.

Reserve for Possible Loan Losses: The reserve for possible loan losses is maintained at a level considered adequate to provide for potential loan losses and is based on management's evaluation of potential losses in the loan portfolio, as well as prevailing and anticipated economic conditions. The allowance is increased by provisions charged to operating expense and reduced by net charge-offs.

Leveraged and Direct Lease Financing: Income from leveraged and direct financing leases, including tax benefits, is, in general, recognized as a constant return on the unrecovered investment.

Premises and Equipment: Premises and equipment are recorded on the basis of cost. Provisions for depreciation are computed on the declining-balance and straight-line methods. Buildings and building improvements are depreciated over lives which range from 5 to 50 years. Furniture and equipment are generally depreciated over a range of 3 to 20 years. The costs of maintenance and repairs are charged to operating expenses as incurred and the costs of major additions and improvements are capitalized. Gains or losses from dispositions of premises and equipment are included in income.

Federal Income Taxes: Federal income taxes are deferred for timing differences between pretax accounting income and taxable income. The investment tax credit resulting from expenditures for premises and equipment purchased for the Bank's own use is treated as a reduction of the provision for income taxes in the year the asset is placed in service. The investment tax credit relating to assets owned and leased to others is deferred and amortized over the term of the investment.

Employee Retirement Plan: The Bank has a noncontributory retirement plan covering approximately one-half of its employees. Operating expenses include annual payments to the plan, which are computed actuarially by the entry age normal cost method to include normal costs and amortization of prior service costs over ten years.

NOTE B -- INVESTMENT SECURITIES

Investment securities are summarized as follows:

	December 31			
	1978		1977	
	Carrying Amount	Market Price	Carrying Amount	Market Price
U.S. Government	$27,274,371	$26,381,438	$34,254,338	$34,048,594
U.S. Government agencies	5,216,942	5,079,357	6,420,103	6,362,844
State and municipal	36,314,835	34,873,779	37,799,621	38,822,992
Other	380,000	380,000	385,000	385,000
TOTALS	$69,186,148	$66,714,574	$78,859,062	$79,619,430

Investment securities amounting to approximately $12,870,000 at December 31, 1978 were pledged as collateral for public deposits and for other purposes.

NOTE C -- LOANS

Loans are summarized as follows:

	December 31	
	1978	1977
Real estate mortgage loans	$73,276,741	$60,994,306
Loans to financial institutions	26,083	66,522
Loans for purchasing or carrying securities	33,742	31,500
Loans to farmers	2,472,717	1,424,476
Commercial and industrial loans	30,577,824	29,763,550
Consumer loans	62,868,763	51,945,162
Other	1,866,243	402,725
Totals	$171,122,113	$144,628,241

NOTE D -- RESERVE FOR POSSIBLE LOAN LOSSES

Changes in the reserve for possible loan losses are summarized as follows:

	December 31 1978	1977
Balance at beginning of year	$1,751,880	$1,504,514
Provision for possible loan losses charged to operating expenses	505,000	210,000
Recoveries of loans previously charged off	78,729	294,456
Loans charged off (deduction)	(450,577)	(257,090)
BALANCE AT END OF YEAR	$1,885,032	$1,751,880

The reserve for possible loan losses for federal income tax purposes was $1,770,959 and $1,506,575 at December 31, 1978 and 1977, respectively. The difference between these amounts and those reported in the financial statements represent additional provisions for possible loan losses in the financial statements in excess of that permitted in filing federal income tax returns.

NOTE E -- INVESTMENT IN LEVERAGED AND DIRECT FINANCING LEASES

Investment in leases is summarized as follows:

	December 31 1978	1977
Leveraged leases	$1,689,157	$1,644,959
Direct financing leases	1,275,340	984,828
TOTALS	$2,964,497	$2,629,787

The Bank is the lessor in leveraged lease agreements entered into in 1975, 1976 and 1977. Under terms of the agreements, various machinery and equipment having estimated economic lives of 9 to 20 years were leased for terms of 7 to 15 years, respectively. The Bank's equity investment represented approximately 22% to 43% of the purchase price; the remaining amounts were furnished by third-party financing in the form of long-term debt that provides for no recourse against the Bank and are secured by first liens on the property. At the end of the lease term, the machinery and equipment will be returned to the Bank. The residual value at that time is estimated to be 20% of original cost. For federal income tax purposes, the Bank generally receives the investment tax credit and has the benefit of tax deductions for depreciation on the entire leased assets and for interest on the long-term debt. Since during the early years of the leases those deductions exceed the lease rental income, substantial excess deductions are available to be applied against the Bank's other income.

In the later years of the leases, rental income will exceed the deductions and taxes will be payable. Deferred taxes have been provided to reflect this timing difference.

The Bank's net investment in leveraged leases is composed of the following elements:

	December 31 1978	1977
Rentals receivable -- net of principal and interest on the nonrecourse debt	$1,078,539	$1,093,384
Estimated residual value of leased assets	838,096	838,096
Unearned and deferred income (deduction)	(227,478)	(286,521)
Investment in leveraged leases	1,689,157	1,644,959
Deferred taxes arising from leveraged leases (deduction)	(1,232,089)	(929,910)
NET INVESTMENT IN LEVERAGED LEASES	$ 457,068	$ 715,049

Income earned as a result of leveraged lease transactions for the years ended December 31, 1978 and 1977 was as follows:

	1978	1977
Income before taxes and investment tax credit	$20,094	$80,585
Income tax expense (deduction)	(9,645)	(38,681)
	10,449	41,904
Investment credit recognized	46,014	44,697
INCOME EARNED	$56,463	$86,601

The Bank is the lessor in direct financing leases of certain shipping and various other equipment. The shipping equipment lease was entered into in 1975 for a period of 15 years. The other leases were entered into during 1978 for periods of 3 to 6 years. The components of the Bank's net investment in direct financing leases are as follows:

	December 31 1978	1977
Net minimum lease payments receivable	$1,760,488	$1,528,317
Estimated residual value of leased property	131,845	99,069
Unearned income (deduction)	(616,993)	(642,558)
TOTALS	$1,275,340	$ 984,828

At December 31, 1978, minimum lease payments for each of the succeeding five years follow: 1979, $218,800; 1980, $218,800; 1981, $166,100; 1982, $154,700; 1983, $140,500. Such amounts exclude executory costs such as taxes, insurance and maintenance.

NOTE F -- PREMISES AND EQUIPMENT

Premises and equipment are summarized as follows:

	December 31 1978	1977
Land	$ 901,415	$ 789,239
Building and leasehold improvements	3,933,061	3,681,813
Furniture and equipment	1,508,644	1,699,012
	6,343,120	6,170,064
Allowances for depreciation (deduction)	(2,023,043)	(2,056,990)
TOTALS	$ 4,320,072	$ 4,113,074

NOTE G -- DEPOSITS

Deposits are summarized as follows:

	December 31 1978	1977
Demand deposits of individuals, partnerships and corporations	$ 64,900,970	$ 60,759,224
Time and savings deposits of individuals, partnerships and corporations	162,308,133	149,647,216
Deposits of United States government	546,325	1,150,750
Deposits of States and political subdivisions	21,558,277	15,494,576
Deposits of commercial banks	1,562,848	905,234
Certified and official checks	379,957	1,650,062
TOTALS	$251,256,510	$229,607,062

NOTE H -- FEDERAL INCOME TAXES

Federal income tax expense (credit) is summarized as follows:

	1978	1977
Current (recoverable)	$ 177,308	$ (415,175)
Deferred	357,415	373,071
TOTALS	$ 534,723	$ (42,104)

Deferred federal income tax expense results from the following:

	1978	1977
Operating method of accounting for leveraged and direct lease financing transactions for tax purposes	$ 370,860	$ 499,728
Bad debt deductions for tax purposes greater (less) than that provided for financial reporting purposes	51,541	(100,800)
Accretions of securities not included for tax purposes	(14,568)	31,400
Other (credit)	(50,418)	(57,257)
TOTALS	$ 357,415	$ 373,071

A reconciliation of federal income tax expense with the amount computed by applying the statutory federal income tax rate to income before federal income taxes and security losses is summarized as follows:

	1978	1977
Federal income taxes computed at statutory rate	$ 1,569,179	$ 973,874
Add (deduct) tax effect of:		
Non-taxable interest from municipal securities and loans	(968,665)	(896,794)
Investment tax credits and jobs credit ($40,129 in 1977)	(72,780)	(130,884)
Other items	6,989	11,700
	(1,034,456)	(1,015,978)
TOTALS	$ 534,723	$ (42,104)

NOTE I -- EMPLOYEE RETIREMENT PLAN

Operating expenses for 1978 and 1977 include $311,000 and $261,000, respectively, for payments to the employee retirement plan. The unfunded accrued liability at the latest valuation date (January 1, 1978) was approximately $730,000.

NOTE J -- RELATED PARTY TRANSACTIONS

Certain related parties (directors of the Bank, including their affiliates, families and companies in which they are principal owners or exercise significant influence) were loan customers of, and had other transactions with, the Bank in the ordinary course of business during 1978 and 1977. Total loans outstanding to these persons at December 31, 1978 and 1977 were $5,585,000 and $3,580,000, respectively. Included in the $5,585,000 at December 31, 1978 are loans to two directors amounting to $2,510,000 and $1,000,000, respectively. Included in the $3,580,000 at December 31, 1977 are loans to two directors amounting to $2,105,000 and $1,004,000, respectively. These amounts do not include loans made in the ordinary course of business to other companies with which the Bank has no relationship other than one of its directors is associated in the capacity of officer or director.

NOTE K -- COMMITMENTS

Total rental expense for all leases amounted to approximately $90,000 and $110,000 for 1978 and 1977, respectively. Future rental commitments and noncapitalized financing leases are not material at December 31, 1978.

The Bank is obligated under an electronic data processing service contract, expiring on February 1, 1981, which provides for minimum annual fees of approximately $550,000. Unused letters of credit outstanding at December 31, 1978 and 1977 were not material.

REPORT OF ERNST & ERNST, INDEPENDENT AUDITORS

Shareholders and Board of Directors
Terre Haute First National Bank
Terre Haute, Indiana

We have examined the statements of condition of Terre Haute First National Bank as of December 31, 1978 and 1977, and the related statements of income, shareholders' equity and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Terre Haute First National Bank at December 31, 1978 and 1977, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Ernst & Ernst
E&E

Terre Haute, Indiana
January 13, 1979

FIVE-YEAR COMPARATIVE SUMMARY (Thousands)

STATEMENT OF CONDITION:

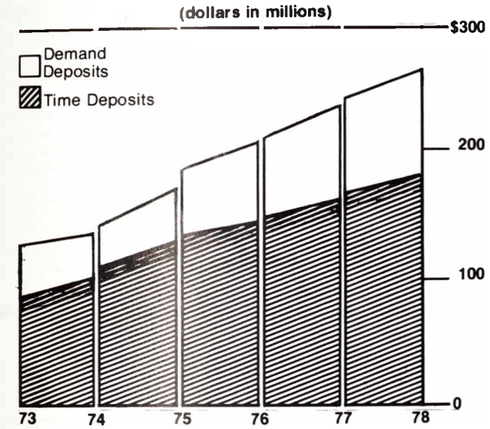
	1978	1977	1976 Unaudited	1975 Unaudited	1974 Unaudited
ASSETS					
Cash and Due From Banks	$ 25,871	$ 21,605	$ 17,404	$ 16,460	$ 19,338
Investment Securities	69,186	78,859	71,199	65,415	56,370
Federal Funds Sold	14,500	5,200	18,200	10,500	7,900
Loans, Net of Unearned Discount	157,611	133,661	112,074	101,004	87,099
Less: Reserve for Loan Losses	(1,885)	(1,752)	(1,504)	(1,300)	(1,189)
Loans, Net	155,726	131,909	110,570	99,704	85,910
Other Assets	10,934	11,202	10,014	4,983	4,510
TOTAL ASSETS	$276,217	$248,775	$227,387	$197,062	$174,028
LIABILITIES					
Deposits					
Demand	$ 70,892	$ 71,159	$ 62,441	$ 56,245	$ 53,121
Time	180,364	158,448	145,835	123,296	105,163
TOTAL DEPOSITS	251,256	229,607	208,276	179,541	158,284
Funds Purchased	3,338	500	2,000	1,900	2,031
Other Liabilities	3,148	2,271	2,218	1,785	838
TOTAL LIABILITIES	257,742	232,378	212,494	183,226	161,153
CAPITAL					
Common Stock	3,240	3,240	3,240	3,240	3,240
Surplus	9,260	9,260	5,420	5,420	5,420
Undivided Profits	5,975	3,897	6,233	5,176	4,215
TOTAL CAPITAL	18,475	16,397	14,893	13,836	12,875
TOTAL LIABILITIES and CAPITAL	$276,217	$248,775	$227,387	$197,062	$174,028
STATEMENT OF INCOME					
OPERATING INCOME					
Interest and Fees on Loans	$ 14,646	$ 11,162	$ 9,607	$ 8,654	$ 8,042
Interest on Federal Funds Sold	570	516	918	763	1,579
Interest on Securities	4,265	4,213	3,855	3,526	3,006
Other Income	1,499	1,367	1,055	875	724
TOTAL OPERATING INCOME	20,980	17,258	15,435	13,818	13,351
OPERATING EXPENSES					
Salaries and Employee Benefits	3,309	2,902	2,615	2,488	2,158
Interest on Deposits	9,877	8,172	7,380	6,241	5,846
Interest on Funds Purchased	182	121	141	273	659
Provision for Loan Losses	505	210	420	657	232
Other Expenses	3,838	3,824	3,122	2,582	2,145
TOTAL EXPENSES	17,711	15,229	13,678	12,241	11,040
Income Before Taxes and Securities Gains (Losses)	3,269	2,029	1,757	1,577	2,311
Federal Income Taxes	535	(42)	63	33	479
Net Operating Income	2,734	2,071	1,694	1,544	1,832
Securities Gains (Losses) Net	(8)	-0-	(25)	1	6
Net Income	$2,726	$ 2,071	$ 1,669	$ 1,545	$ 1,838

DIRECTORS

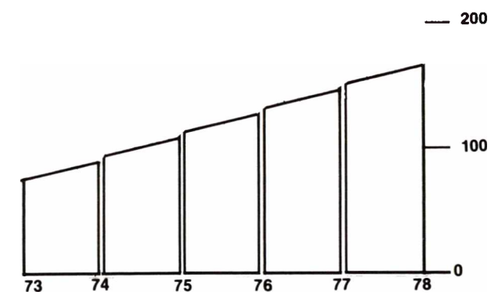
Seated (left to right) Edward B. Ijams, Mary Fendrich Hulman, Donald E. Smith, John J. Cleary, W. N. Cox, Henry P. Smith.

Standing (left to right) William A. Niemeyer, John W. Ragle, Walter A. Bledsoe, Charles H. Hutchins, Richard W. Kelly, Patrick O'Leary, Richard E. Conrad, Welby M. Frantz.

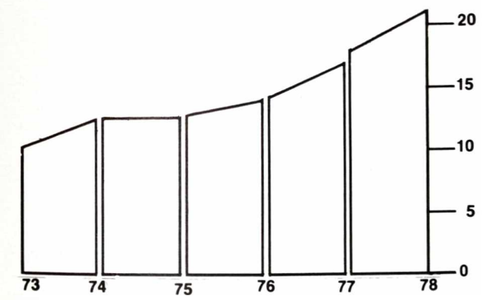
TOTAL DEPOSITS
(dollars in millions)



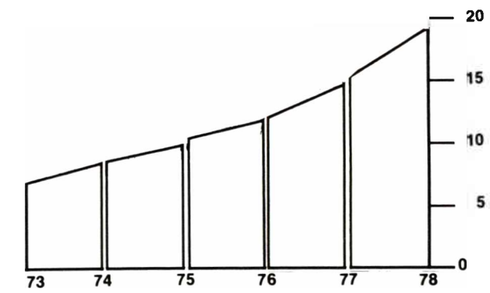
TOTAL LOANS
(dollars in millions)



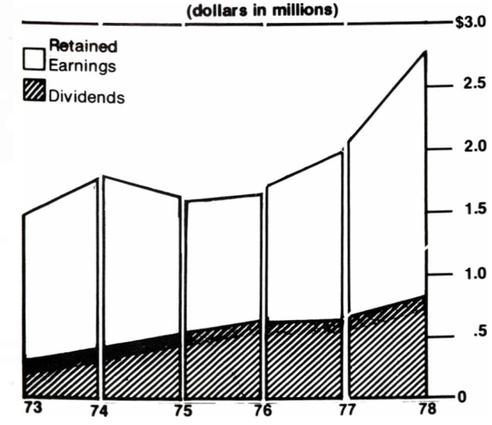
OPERATING INCOME
(dollars in millions)



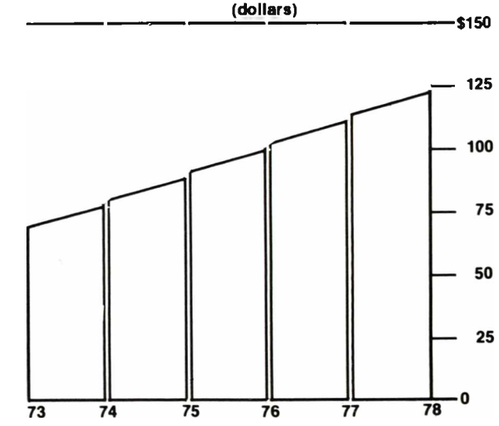
OPERATING EXPENSES
(dollars in millions)



NET INCOME
(dollars in millions)



BOOK VALUE PER SHARE
(dollars)



OFFICERS

643-645 WABASH AVENUE

DONALD E. SMITH, President & Chief Executive Officer
RICHARD E. CONRAD, Senior Vice President & Cashier
KING A. FASIG, Senior Vice President & Trust Officer
RAY G. INGRAM, Administrative Vice President
RAYMOND L. NORRIS, Vice President - Commercial Loans
JACK H. PAGE, Vice President & Trust Officer
JOHN W. PERRY, Vice President - Finance
MICHAEL A. CARTY, Controller
GRACE R. REDMAN, Assistant Vice President & Branch Manager
JANET MASTERS, Assistant Vice President
ROBERT D. GIBBONS, Assistant Cashier & Customer Investment Officer
FRANCES PERDIEU, Assistant Cashier & Assistant Branch Manager
TED J. SAVOREE, Assistant Cashier & Assistant Trust Officer
CARY W. SPARKS, Assistant Trust Officer
MARTHA J. KELLEY, Assistant Cashier

W. N. COX, Counsel

511-523 WABASH AVENUE

JAMES E. BROWN, Senior Vice President - Mortgage Loans
VERNON M. COOK, Assistant Vice President - Mortgage Loans
JAMES A. WATKINS, Assistant Vice President - Mortgage Loans
DAVID E. ROGERS, Assistant Cashier and Mortgage Loan Officer
WINNIE JO COCHRAN - Assistant Cashier and Branch Manager
ALBERT R. MONNINGER, Assistant Cashier - Installment Loans
PETE J. PIAZZA, Assistant Cashier - Credit Cards

OPERATIONS CENTER

STANLEY V. HART, Vice President - Operations
CHARLEY E. HENDRICKS, Vice President & Farm Manager
DON LOFTON, Vice President - Advertising & Public Relations
JERRALD L. TITUS, Vice President - Installment Loans
RICHARD O. WHITE, Vice President - Branch Administrator
KEITH L. MYERS, Auditor
JAMES H. CLAYTON, Assistant Vice President - Business Development
MARC BEESON, Assistant Vice President - Business Development
JOHN D. EVANS, Assistant Vice President - Operations
WILLIAM H. JEFFRIES, Assistant Vice President - Bookkeeping
JERRY L. WILLIAMS, Assistant Vice President - Installment Loans
WILLIAM B. ADAMS, Assistant Cashier - Installment Loans
MERLE M. ALLEN, Assistant Cashier - Branch Administration
MARY JOYCE BROKAW, Assistant Cashier - Installment Loans
LAWRENCE W. SCHOPMEYER, Assistant Cashier - Collections
RONALD B. WEAVER, Assistant Cashier - Installment Loans
DON BOVENSCHULTE, Security Officer
LELA COOPER, Assistant Cashier & Personnel Officer
WILLIAM G. O'ROURKE, Assistant Cashier & Manager, Data Entry
DEBORAH S. PIERCE, Assistant Cashier
NAN TURNER, Assistant Personnel Officer

MAPLE AVENUE

LARRY W. HOWARD, Assistant Vice President & Branch Manager

MEADOWS CENTER

MORRIS G. CRUMRIN, Assistant Vice President & Branch Manager
WILLIAM R. HARRIS, Assistant Cashier & Assistant Branch Manager

PLAZA NORTH

DAVID BALLINGER, Assistant Vice President & Branch Manager
JEFFREY K. REDMAN, Assistant Cashier & Assistant Branch Manager

SEELYVILLE

MICHAEL F. HOLMES, Assistant Cashier & Branch Manager

SOUTHLAND

RONALD W. REAGAN, Assistant Vice President & Branch Manager
PHILLIP R. GARRIGUS, Assistant Cashier & Assistant Branch Manager

SPRINGHILL

LELAND S. SUTHERLAND, Assistant Vice President & Branch Manager
NICHOLAS J. ANDERSON, Assistant Cashier & Assistant Branch Manager

WEST TERRE HAUTE

HAROLD V. ROST, Assistant Vice President & Branch Manager
DAVID L. JOHNSTON, Assistant Vice President & Assistant Branch Manager

FULL SERVICE BRANCHES

MAIN OFFICE
Grace R. Redman, Manager
643-645 Wabash Avenue
Terre Haute, Indiana

DOWNTOWN BRANCH
Winnie Jo Cochran, Manager
511 Wabash Avenue
Terre Haute, Indiana

MAPLE AVENUE BRANCH
Larry W. Howard, Manager
(Drive-In Facilities)
4065 Maple Avenue
Terre Haute, Indiana

MEADOWS CENTER BRANCH
Morris G. Crumrin, Manager
(Drive-In Facilities)
350 South 25th Street
Terre Haute, Indiana

PLAZA NORTH BRANCH
David Ballinger, Manager
(Drive-In Facilities)
Ft. Harrison Road & Lafayette Ave.
Terre Haute, Indiana

SEELYVILLE BRANCH
Michael F. Holmes, Manager
(Drive-In Facilities)
Seelyville, Indiana

SOUTHLAND BRANCH
Ronald W. Reagan, Manager
(Drive-In Facilities)
7th Street & Margaret Avenue
Terre Haute, Indiana

SPRINGHILL BRANCH
Leland S. Sutherland, Manager
(Drive-In Facilities)
4500 Dixie Bee Road
Terre Haute, Indiana

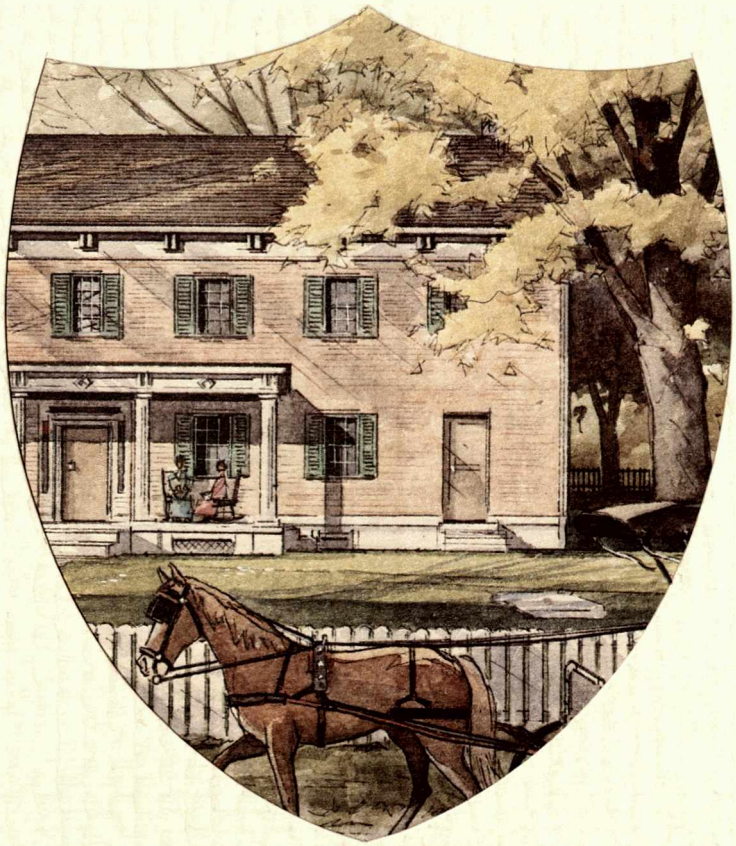
WEST TERRE HAUTE BRANCH
Harold V. Rost, Manager
309 National Avenue
West Terre Haute, Indiana

BANK SERVICES

Auto Banking
Bank By Mail
Certificates of Deposit
Checking Accounts
Christmas Club Accounts
Commercial Loans
Computer Services
Direct Lease Financing
Installment Loans
Master Charge
Money Orders
Mortgage Loans and Servicing
Night Depository
Safe Deposit Vaults
Savings Accounts
Travelers Checks
Trust Services
U.S. Savings Bonds
Vacation Club Accounts
VISA (BankAmericard)

TERRE HAUTE FIRST NATIONAL BANK

Community Affairs File



Annual Report 1980

Just as Terre Haute First National Bank was established on a firm foundation 118 years ago, the Markle House, one of Vigo County's first brick homes, serves to be as solid as the brick and mortar it was built with in 1848.

Illustrated by area artist, D. Omer Seamon, as it appeared in the mid-1800's when activity flourished at the nearby Markle Mill, the House is best remembered as a station along the Underground Railroad, whereby sympathetic Northerners aided smuggled slaves from the South to lives of freedom.

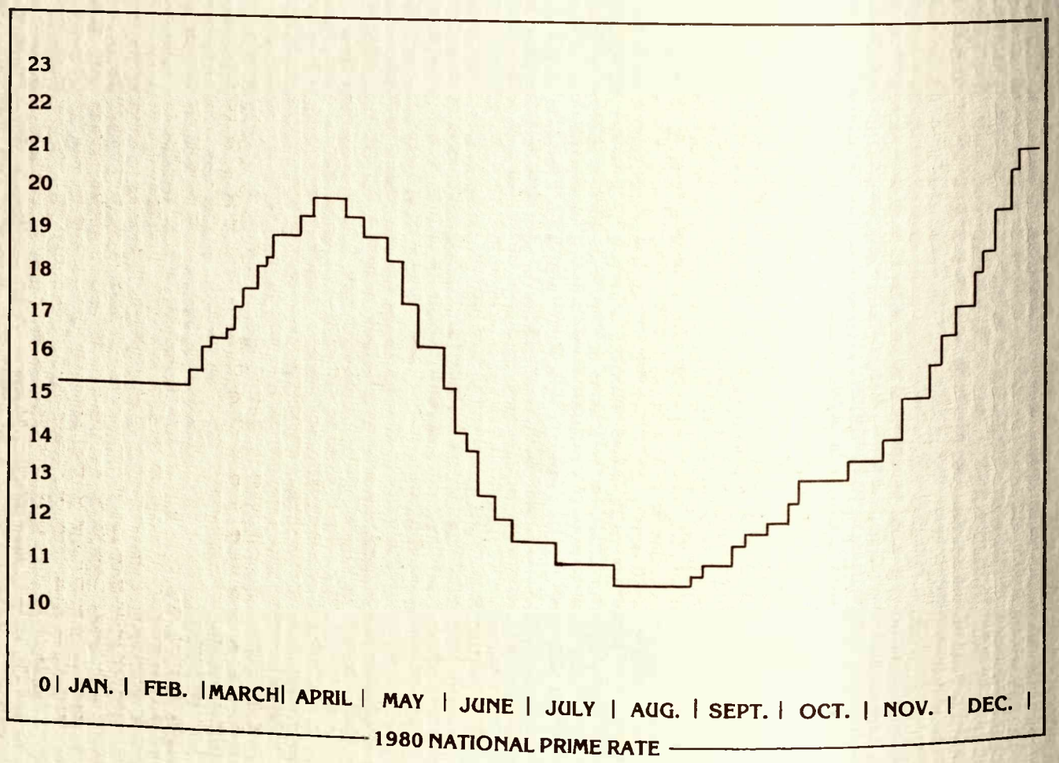
In addition, the structure housed the ten children of its builder, Frederick Markle; served as a lodge for weary stagecoach travellers; and was used as a training ground for what was known as the "cornstalk militia" — a shortage of guns required men to use cornstalks while preparing for Civil War drills.

Owned by the Vigo County Historical Society since 1977, the Markle House was accepted in 1979 for listing in the National Register, which provides an official inventory of local, state, and federal sites having "significance in the development of our nation's heritage."

First Markle House: built by Major Abraham Markle in 1817. Situated across the road from Markle's Mill, this frame house was located near the site of the historic Markle House still standing today.

Financial Highlights

	1980	1979	% Change
For The Year:			
Operating Income	$ 32,540,952	$ 26,553,446	+22.55
Operating Expenses	29,272,029	22,474,859	+30.24
Income Before Security Losses	3,238,923	3,363,587	(3.71)
Net Income	3,026,368	3,363,587	(10.02)
Net Income Per Share	18.68	20.76	(10.02)
Dividends Declared	769,500	729,000	+ 5.55
Cash Dividends Paid Per Share	4.50	4.25	+ 5.88
Interest Paid Depositors	17,831,576	12,619,766	+41.30
At Year End:			
Assets	$354,919,038	$310,325,698	+14.37
Deposits	308,514,106	268,879,491	+14.74
Loans	170,359,735	165,958,316	+ 2.65
Investments	111,833,866	87,080,843	+28.43
Capital Funds	23,366,617	21,109,749	+10.69
Number of Shares Outstanding	162,000	162,000	—0—
Book Value Per Share	144.24	130.31	+10.69
Number of Shareholders	364	369	(1.36)
Number of Officers and Employees (Full Time)	279	263	+ 6.08



To Our Shareholders, Our Customers, Business Community, and Our Employees:

Punctuated by changes in our national administration, a fluctuating economy, and far-reaching banking legislation, 1980 served as a fitting preface to the decade of the challenging Eighties.

The election of Ronald Reagan as the nation's 40th president brought the American people a renewed sense of optimism, while concern continued over escalating inflation and volatile prime rates. (See the graph on the accompanying page for a look at last year's temperamental prime rate.) The 44 variations in the 1980 prime interest rate illustrate the severe problems encountered by banks in trying to maintain profitability during these continually changing times. Also, the passage of the Depository Institutions Deregulation and Monetary Control Act of 1980, one of the most inclusive pieces of financial legislation since the Federal Reserve Act of 1913, dramatically increased competition among banks, savings and loans, and credit unions.

In light of all of these factors affecting our economic system, we can look with pride to the resiliency of Terre Haute First National Bank. During 1980 we surpassed the $350 million mark in total assets, reaching $354,919,038 at year's end, representing an increase of 14.3% over 1979. Deposits increased from $268,879,491 on December 31, 1979 to $308,514,106 by the close of 1980. Just ten years earlier, total deposits as of December 31, 1970 were $107,530,105, while total assets were $167,017,365. The gains made in these areas during the past decade are virtually overwelming. Equally substantial is Terre Haute First's increase in earnings over the last ten years. In 1970, earnings amounted to $1,086,794. By December 31, 1980, earnings reached $3,026,403, nearly tripling during the ten-year period.

With increased profits come increased dividends. In June the Board of Directors declared an extra $1.25 per share dividend and an extra $1.50 per share dividend in November. These extra dividends, added to the regular $2.00 per share dividend, resulted in total dividends declared in 1980 of $4.75 per share. The book value per share in 1980 increased by 10.7% to $144.24 per share at year-end.

Terre Haute First National Bank's commitment to complete customer service was again renewed in 1980. In February we announced The Economizer, a checking account package especially geared to meet the needs of the senior citizen. Several months later, we introduced our automated teller, First Plus, to the area through demonstrations at the Vigo County Fair. Customer response to the twenty-four-hour banking unit has been extremely encouraging and the first of such automated tellers was installed at Springhill Branch, 4500 Dixie Bee Road, in early December.

Developed in response to legislation permitting interest-bearing checking accounts, another new service, Checking With Interest — NOW, was also announced in late 1980. Effective December 31, 1980, our NOW account was greeted by the public with enthusiasm at the new-found opportunity to earn 5¼% interest on checking account funds.

Educational assistance programs continue to be a high priority among Bank management, and we are proud to report the 1980 achievements of two Terre Haute First National Bank officers: Vernon M. Cook and Larry W. Howard. As Assistant Vice President, Mortgage Loans, Vern Cook has earned the designation of Senior Residential Appraiser from the Society of Real Estate Appraisers. The designation, earned after intensive study, including examinations, thesis preparation, and real estate field work, marks him as a highly skilled, professionally qualified appraiser — to date, the only appraiser in the Terre Haute area to earn this distinction. Larry Howard, Assistant Vice President, and Branch Manager, is a 1980 graduate of the Stonier

Graduate School of Banking, New Brunswick, New Jersey. One of 301 bankers from all areas of the United States to comprise the Stonier Class of 1980, Larry completed three two-week resident summer sessions, completed two years of extension work, and prepared a thesis to qualify for his graduation certificate.

We are also proud to report the addition of Max Gibson to the Bank's Board of Directors. President of Gibson Coal Company, he is active not only professionally, but serves the community in numerous civic capacities.

Our staff of over 300 employees was also strengthened during 1980 with the addition of three officers: Benjamin C. Fairhurst, who joined Terre Haute First National Bank as Vice President, Commercial Loans; Robert D. Marsh, who joined the Bank as Assistant Trust Officer; and Eugene N. Davies, who also joined the Trust Department as Assistant Trust Officer.

At the November meeting of the Board of Directors four of our officers were advanced: William B. Adams and Lawrence W. Schopmeyer were named Assistant Vice Presidents, Installment Loans; Winnie Jo Cochran has been appointed Assistant Vice President and Branch Manager; and Robert D. Marsh was named Trust Officer. Also, four employees were elected to the officer staff, effective January 1, 1981. Charles M. Liehr and William H. Sims were named Assistant Cashiers, Installment Loans; Erma D. Mathis advanced to Assistant Cashier, Finance/Control; and Mary Ann Murphy was named Commerical Leasing Officer.

We face 1981 with cautious optimism, realizing the banking industry represents one of the most important forces shaping the economy in the future. There are many facets of the industry beyond our control. Actions of the Federal Reserve Board will continue to mold our industry. Interest rates will continue to rise and fall. But one fact will never change. And that is Terre Haute First National Bank's sincere desire to offer the customer the most complete package of banking services available in the Wabash Valley.

Thank you for your continued support,

Donald E. Smith

Donald E. Smith
President and Chief Executive Officer

Statements of Condition

	December 31 1980	1979
ASSETS		
Cash and Due From Banks	$ 22,444,518	$ 23,199,046
Federal Funds Sold	33,400,000	23,100,000
Investment Securities — Note B	111,833,866	87,080,843
Loans — Notes C and D	182,357,995	178,077,898
Unearned discount (deduction)	(11,998,260)	(12,119,582)
Allowance for possible loan losses (deduction)	(1,982,951)	(1,980,297)
	168,376,784	163,978,019
Direct and Leveraged Lease Financing — Note E	7,219,670	4,023,622
Accrued Income Receivable	4,459,897	3,359,425
Other Real Estate	400,000	179,399
Premises and Equipment — Note F	5,109,434	4,450,233
Other Assets	1,674,869	955,111
	$354,919,038	$310,325,698
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits — Note G		
Demand	$ 78,383,083	$ 76,133,923
Savings	64,290,619	74,647,012
Time	165,840,404	118,098,556
	308,514,106	268,879,491
Funds Purchased and Securities Sold Under Agreements to Repurchase	17,475,495	15,514,468
Deferred Federal Income Taxes — Note H	1,793,465	1,571,084
Other Liabilities	3,769,355	3,250,906
TOTAL LIABILITIES	331,552,421	289,215,949
Shareholders' Equity		
Common Stock, par value $20 a share — authorized, issued and outstanding 162,000 shares	3,240,000	3,240,000
Additional capital	9,260,000	9,260,000
Retained earnings	10,866,617	8,609,749
	23,366,617	21,109,749
Commitments — Note J	$354,919,038	$310,325,698

See notes to financial statements

Statements of Income

	Year Ended December 31 1980	1979
INTEREST REVENUE		
Interest and fees on loans	$19,402,662	$17,449,681
Interest on investment securities:		
Taxable	5,352,216	3,179,420
Exempt from federal income taxes	2,440,498	1,957,289
	7,792,714	5,136,709
Interest on federal funds sold	3,409,238	2,286,393
Lease financing	423,543	207,370
	31,028,157	25,080,153
INTEREST EXPENSE		
Interest on savings deposits	3,668,185	4,161,091
Interest on time deposits — Note G	14,163,391	8,458,675
Interest on borrowed funds	1,834,144	1,277,452
	19,665,720	13,897,218
NET INTEREST REVENUE	11,362,437	11,182,935
Provision for loan losses — Note D	430,000	470,000
NET INTEREST CONTRIBUTION	10,932,437	10,712,935
OTHER OPERATING REVENUE		
Trust department income	344,984	289,506
Service charges on deposit accounts	383,517	349,257
Other service charges and fees	665,248	731,110
Other income	119,046	103,420
	1,512,795	1,473,293
OPERATING EXPENSES		
Salaries	3,467,659	2,944,793
Pension and other employee benefits	735,817	746,958
Occupany expense	629,217	559,322
Equipment expense	489,761	354,323
Data processing expense	767,254	669,655
Other expenses	3,086,601	2,832,590
	9,176,309	8,107,641
INCOME BEFORE FEDERAL INCOME TAXES AND SECURITY LOSSES	3,268,923	4,078,587
Federal income taxes — Note H	30,000	715,000
INCOME BEFORE SECURITY LOSSES	3,238,923	3,363,587
Security losses, less applicable federal income tax credit of $181,000	212,555	—
NET INCOME	$ 3,026,368	$ 3,363,587
Income (loss) per share of Common Stock (based on average number of shares outstanding during the year):		
Income before security losses	$ 19.99	$ 20.76
Security losses	(1.31)	—
Net Income	$ 18.68	$ 20.76

See notes to financial statements

Statements of Shareholders' Equity

	Common Stock	Additional Capital	Retained Earnings
Year ended December 31, 1979:			
Balances at January 1, 1979	$3,240,000	$9,260,000	$ 5,975,162
Additions (deductions):			
Net income	—	—	3,363,587
Cash dividends — $4.50 per share	—	—	(729,000)
BALANCES AT DECEMBER 31, 1979	3,240,000	9,260,000	8,609,749
Year ended December 31, 1980:			
Additions (deductions):			
Net income	—	—	3,026,368
Cash dividends — $4.75 per share	—	—	(769,500)
BALANCES AT DECEMBER 31, 1980	$3,240,000	$9,260,000	$10,866,617

See notes to financial statements

Statements of Changes in Financial Position

	Year Ended December 31 1980	1979
SOURCE OF FUNDS		
Net income	$ 3,026,368	$ 3,363,587
Charges to income not requiring current outlay of cash:		
Provision for depreciation	517,130	387,973
Provision for possible loan losses	430,000	470,000
Provision for deferred federal income taxes	211,518	226,269
Amortization of premiums, less accretion of discounts on investment securities	45,033	82,365
TOTAL FROM OPERATIONS	4,230,049	4,530,194
Decrease in cash and due from banks	754,528	2,671,723
Decrease in other assets	—	98,637
Increase in deposits	39,634,615	17,622,981
Increase in funds purchased and securities sold under agreement to repurchase	1,961,027	12,176,476
Increase in other liabilities	518,449	1,430,120
	$47,098,668	$38,530,131
APPLICATION OF FUNDS		
Increase in federal funds sold	$10,300,000	$ 8,600,000
Increase in investment securities	24,798,057	17,977,060
Increase in loans	4,828,765	8,722,062
Increase in direct and leveraged lease financing	3,185,184	1,040,931
Increase in accrued income receivable	1,100,472	913,779
Increase in other real estate	220,601	29,165
Additions to premises and equipment	1,176,331	518,134
Increase in other assets	719,758	—
Cash dividends	769,500	729,000
	$47,098,668	$38,530,131

See notes to financial statements

Notes to Financial Statements

NOTE A — SIGNIFICANT ACCOUNTING POLICIES

Investment Securities: Investment securities are stated at cost adjusted for amortization of premium and accretion of discount, both computed by the straight-line method. Gains and losses on the sale of investment securities are based on the adjusted cost of the specific security.

Loans: Interest income on commercial and mortgage loans is recorded monthly as earned. Interest income on consumer loans is principally recorded by the sum-of-the-months-digits method.

Allowance for Possible Loan Losses: The allowance for possible loan losses is maintained at a level considered adequate to provide for potential loan losses and is based on management's evaluation of potential losses in the loan portfolio, as well as prevailing and anticipated economic conditions. The allowance is increased by provisions charged to operating expense and reduced by net charge-offs.

Direct and Leveraged Lease Financing: Income from direct and leveraged financing leases, including tax benefits, is, in general, recognized at a constant return on the unrecovered investment.

Premises and Equipment: Premises and equipment are recorded on the basis of cost. Provisions for depreciation are computed on the declining-balance and straight-line methods.

Federal Income Taxes: Federal income taxes are deferred for timing differences between pretax accounting income and taxable income. The investment tax credit resulting from expenditures for premises and equipment purchased for the Bank's own use is treated as a reduction of the provision for income taxes in the year the asset is placed in service. The investment tax credit relating to assets owned and leased to others is deferred and amortized over the term of the investment.

Employee Retirement Plan: Operating expenses include annual payments to the plan, which are computed actuarially by the entry age normal cost method to include normal costs and amortization of prior service costs over ten years.

NOTE B — INVESTMENT SECURITIES

Investment securities are summarized as follows:

	December 31			
	1980		1979	
	Carrying Amount	Market Price	Carrying Amount	Market Price
United States Government	$ 44,636,328	$ 42,797,000	$34,079,999	$32,876,353
United States Government agencies	11,783,772	11,465,839	11,588,708	11,346,084
State and municipal	48,356,411	39,004,667	41,412,136	38,591,736
Other	7,057,355	7,057,355	—	—
TOTALS	$111,833,866	$100,324,861	$87,080,843	$82,814,173

Investment securities amounting to approximately $27,100,000 at December 31, 1980 were pledged as collateral for public deposits and for other purposes.

NOTE C — LOANS

Loans are summarized as follows:

	December 31	
	1980	1979
Commercial, financial and agricultural loans	$ 45,682,175	$ 41,615,901
Real estate construction loans	1,338,047	901,743
Real estate mortgage loans	74,886,169	75,221,915
Consumer loans	60,451,604	60,338,339
TOTALS	$182,357,995	$178,077,898

Certain directors and executive officers of the Bank, and their immediate families and companies in which they are principal owners, were loan customers of the Bank during 1980 and 1979. Such loans were made in the ordinary course of business on substantially the same terms as those prevailing at the time for comparable transactions with unrelated parties and amounted to approximately $4,498,000 and $4,880,000 at December 31, 1980 and 1979, respectively. The amount at December 31, 1980 included approximately $2,449,000 in loans outstanding to a director and companies of which he is a principal owner. The amount at December 31, 1979 included loans to two directors and companies of which they are principal owners amounting to $1,434,000 and $1,407,000, respectively.

NOTE D — ALLOWANCE FOR POSSIBLE LOAN LOSSES

Changes in the allowance for possible loan losses are summarized as follows:

	1980	1979
Balance at beginning of year	$1,980,297	$1,885,032
Provision for possible loan losses charged to operating expenses	430,000	470,000
Recoveries of loans previously charged off	117,371	142,992
Loans charged off (deduction)	(544,717)	(517,727)
BALANCE AT END OF YEAR	$1,982,951	$1,980,297

NOTE E — DIRECT AND LEVERAGED LEASE FINANCING

Lease financing is summarized as follows:

	December 31	
	1980	1979
Direct financing leases	$5,515,894	$2,318,931
Leveraged leases	1,703,776	1,704,691
TOTALS	$7,219,670	$4,023,622

The Bank is the lessor in direct financing leases of certain shipping and various other equipment with terms ranging from three to fifteen years. The components of the Bank's net investment in direct financing leases are as follows:

	December 31	
	1980	1979
Lease payments receivable	$ 6,854,220	$2,952,354
Estimated residual values	339,646	262,910
Unearned income (deduction)	(1,677,972)	(896,333)
TOTALS	$ 5,515,894	$2,318,931

At December 31, 1980 minimum lease payments for each of the succeeding five years follow: 1981, $1,602,000; 1982, $1,474,000; 1983, $1,319,000; 1984, $1,045,000; 1985, $750,000. Such amounts exclude executory costs such as taxes, insurance and maintenance.

The leveraged leases consists principally of the leasing of various machinery and equipment with terms ranging from seven to fifteen years. The Bank's equity investment represented approximately 22% to 43% of the purchase price; the remaining amounts were furnished by third-party financing in the form of long-term debt that provides for no recourse against the Bank and are secured by first liens on the property.

The Bank's net investment in leveraged leases is composed of the following elements:

	December 31	
	1980	1979
Rentals receivable — net of principal and interest on the nonrecourse debt	$ 1,051,775	$ 1,065,157
Estimated residual value	838,096	838,096
Unearned income (deduction)	(186,095)	(198,562)
Investment in leveraged leases	1,703,776	1,704,691
Deferred taxes arising from leveraged leases (deduction)	(1,364,043)	(1,337,439)
NET INVESTMENT IN LEVERAGED LEASES	$ 339,733	$ 367,252

NOTE F — PREMISES AND EQUIPMENT

Premises and equipment are summarized as follows:

	December 31 1980	1979
Land	$1,314,868	$1,076,415
Building and leasehold improvements	4,057,735	4,027,813
Furniture and equipment	2,657,321	1,757,026
	8,029,924	6,861,254
Less allowances for depreciation	2,920,490	2,411,021
TOTALS	$5,109,434	$4,450,233

NOTE G — DEPOSITS

Deposits are summarized as follows:

	December 31 1980	1979
Demand deposits of individuals, partnerships and corporations	$ 61,231,178	$ 62,771,783
Time and savings deposits of individuals, partnerships and corporations	221,859,474	181,033,865
Deposits of United States Government	668,315	620,074
Deposits of States and political subdivisions	18,103,202	17,784,599
Deposits of commercial banks	4,817,513	4,038,131
Certified and official checks	1,834,424	2,631,039
TOTALS	$308,514,106	$268,879,491

Certificates of deposit which individually equal or exceed $100,000 aggregated approximately $47,424,000 and $38,130,000 at December 31, 1980 and 1979, respectively. Interest expense with respect to these certificates for the years ended December 31, 1980 and 1979 was approximately $4,691,000 and $3,464,000, respectively.

NOTE H — FEDERAL INCOME TAXES

Federal income tax expense is summarized as follows:

	1980	1979
Current (recoverable)	$(181,518)	$488,731
Deferred	211,518	226,269
TOTALS	$ 30,000	$715,000

Deferred federal income tax expense results from the following:

	1980	1979
Operating method of accounting for direct and leveraged lease financing transactions for tax purposes	$194,511	$254,903
Accretions of securities not included for tax purposes	26,207	17,290
Other (credit)	(9,200)	(45,924)
TOTALS	$211,518	$226,269

NOTE H — FEDERAL INCOME TAXES (continued)

A reconciliation of federal income tax expense with the amount computed by applying the statutory federal income tax rate to income before federal income taxes and security losses is summarized as follows:

	1980	1979
Federal income taxes computed at statutory rate	$ 1,503,704	$ 1,856,900
Add (deduct) tax effect of:		
Nontaxable interest from municipal securities and loans	(1,328,408)	(1,044,204)
Investment tax credit	(102,744)	(48,412)
Other items	(42,552)	(49,284)
	(1,473,704)	(1,141,900)
TOTALS	$ 30,000	$ 715,000

NOTE I — EMPLOYEE RETIREMENT PLAN

The Bank has a noncontributory retirement plan covering approximately one-half of its employees. Expenses of the plan for the years ended December 31, 1980 and 1979 were approximately $275,000 and $333,000, respectively. This decrease in pension expense was primarily due to an amendment to the plan which became effective January 1, 1980. The amended plan limited the payment of death benefits to only those active participants who had met the requirements for early retirement benefits.

Accumulated plan benefit information, as estimated by consulting actuaries, and plan net assets for the Bank's plan as of January 1, 1980 (the latest valuation date) were:

Actuarial present value of accumulated plan benefits:	
Vested	$1,810,258
Nonvested	210,250
	$2,020,508
Net assets available for benefits	$2,016,438

The assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 6%.

NOTE J — COMMITMENTS

The Bank is obligated under an electronic data processing service contract which expires on January 31, 1981. As of December 31, 1980, the Bank was negotiating a new contract, the terms of which had not yet been finalized. Under this proposed contract the minimum annual fees would range from $836,000 to $1,130,000 through January 31, 1986.

Report of Ernst & Whinney Independent Auditors

Shareholders and Board of Directors
Terre Haute First National Bank
Terre Haute, Indiana

We have examined the statements of condition of Terre Haute First National Bank as of December 31, 1980 and 1979, and the related statements of income, shareholders' equity and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Terre Haute First National Bank at December 31, 1980 and 1979, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Indianapolis, Indiana
January 16, 1981

Ernst + Whinney

Five-Year Comparative Summary (Thousands)

STATEMENT OF CONDITION:	1980	1979	1978	1977	1976
ASSETS					Unaudited
Cash and Due From Banks	$ 22,445	$ 23,199	$ 25,871	$ 21,605	$ 17,404
Federal Funds Sold	33,400	23,100	14,500	5,200	18,200
Investment Securities	111,834	87,081	69,186	78,859	71,199
Loans, Net of Unearned Discount	170,360	165,958	157,611	133,661	112,074
Less: Reserve for Loan Losses	(1,983)	(1,980)	(1,885)	(1,752)	(1,504)
Loans, Net	168,377	163,978	155,726	131,909	110,570
Other Assets	18,863	12,968	10,934	11,202	10,014
TOTAL ASSETS	$354,919	$310,326	$276,217	$248,775	$227,387
LIABILITIES					
Deposits					
Demand	$ 78,383	$ 76,134	$ 70,892	$ 71,159	$ 62,441
Savings and Time	230,131	192,746	180,364	158,448	145,835
TOTAL DEPOSITS	308,514	268,880	251,256	229,607	208,276
Funds Purchased	17,475	15,514	3,338	500	2,000
Other Liabilities	5,563	4,822	3,148	2,271	2,218
TOTAL LIABILITIES	331,552	289,216	257,742	232,378	212,494
CAPITAL					
Common Stock	3,240	3,240	3,240	3,240	3,240
Surplus	9,260	9,260	9,260	9,260	5,420
Undivided Profits	10,867	8,610	5,975	3,897	6,233
TOTAL CAPITAL	23,367	21,110	18,475	16,397	14,893
TOTAL LIABILITIES & CAPITAL	$354,919	$310,326	$276,217	$248,775	$227,387
STATEMENT OF INCOME					
Interest Revenue					
Interest and Fees on Loans	$ 19,403	$ 17,450	$ 14,646	$ 11,162	$ 9,607
Interest on Fed. Funds Sold	3,409	2,286	570	516	918
Interest on Securities	7,793	5,137	4,265	4,213	3,855
Lease Financing	423	207	141	176	120
TOTAL INTEREST REVENUE	31,028	25,080	19,622	16,067	14,500
Interest Expense					
Interest on Deposits	17,832	12,620	9,877	8,172	7,380
Interest on Borrowed Funds	1,834	1,277	182	121	141
TOTAL INTEREST EXPENSE	19,666	13,897	10,059	8,293	7,521
Net Interest Revenue	11,362	11,183	9,563	7,774	6,979
Provision for Loan Losses	430	470	505	210	420
NET INTEREST CONTRIBUTION	10,932	10,713	9,058	7,564	6,559
Other Income	1,513	1,473	1,358	1,191	935
	12,445	12,186	10,416	8,755	7,494
Other Expenses	9,176	8,107	7,147	6,726	5,737
Income Before Taxes and Securities Gains (Losses)	3,269	4,079	3,269	2,029	1,757
Income Taxes	30	715	535	(42)	63
Net Operating Income	3,239	3,364	2,734	2,071	1,694
Securities Gains (Losses) Net	(213)	—	(8)	—	(25)
Net Income	$ 3,026	$ 3,364	$ 2,726	$ 2,071	$ 1,669

1980: A Year For Expanding Terre Haute First National Bank Services

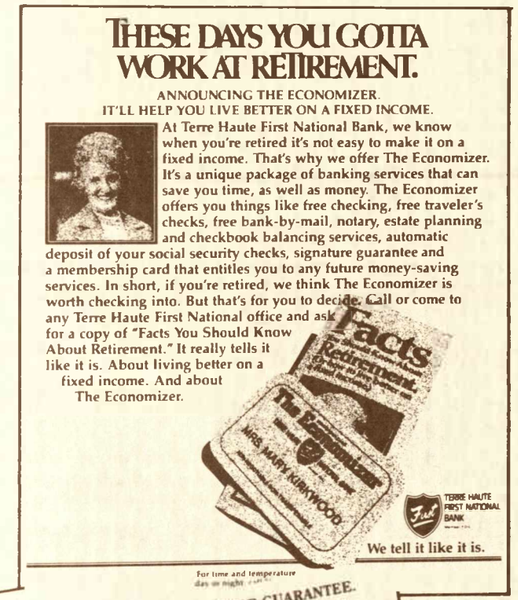
The Economizer

Introduced to the Terre Haute community in early 1980 was The Economizer, a banking package especially designed to meet the needs of the senior citizen, age 62 and over.

Realizing the difficulties encountered by those operating on a fixed income, Terre Haute First National Bank tailored The Economizer to offer today's most desired banking services free of charge.

Privileges of an Economizer membership include no service charge checking, free traveller's checks, postage paid bank-by-mail, notary service, free checkbook balancing, direct deposit of social security checks, signature guarantee, estate planning services, and membership card.

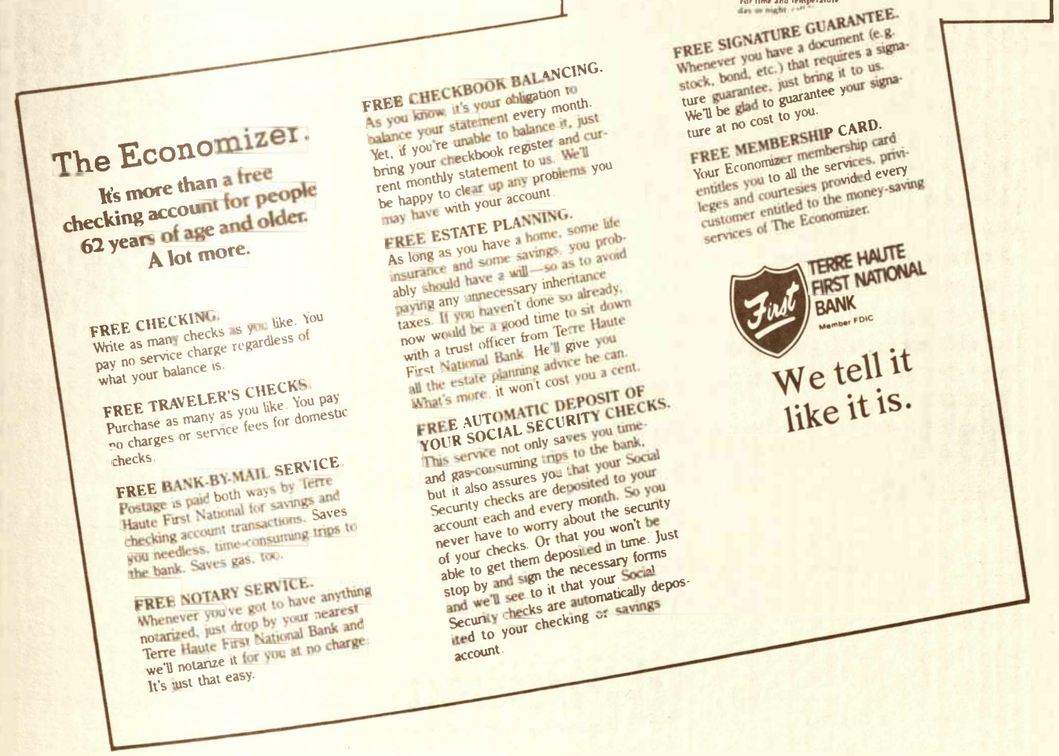
The Economizer joins the fine family of checking account services offered at Terre Haute First, including The Organizer, The Provider, and the newly-created Checking With Interest — NOW.


THESE DAYS YOU GOTTA WORK AT RETIREMENT.

ANNOUNCING THE ECONOMIZER.
IT'LL HELP YOU LIVE BETTER ON A FIXED INCOME.

At Terre Haute First National Bank, we know when you're retired it's not easy to make it on a fixed income. That's why we offer The Economizer. It's a unique package of banking services that can save you time, as well as money. The Economizer offers you things like free checking, free traveler's checks, free bank-by-mail, notary, estate planning and checkbook balancing services, automatic deposit of your social security checks, signature guarantee and a membership card that entitles you to any future money-saving services. In short, if you're retired, we think The Economizer is worth checking into. But that's for you to decide. Call or come to any Terre Haute First National office and ask for a copy of "Facts You Should Know About Retirement." It really tells it like it is. About living better on a fixed income. And about The Economizer.

We tell it like it is.


The Economizer.

It's more than a free checking account for people 62 years of age and older. A lot more.

FREE CHECKING.
Write as many checks as you like. You pay no service charge regardless of what your balance is.

FREE TRAVELER'S CHECKS.
Purchase as many as you like. You pay no charges or service fees for domestic checks.

FREE BANK-BY-MAIL SERVICE.
Postage is paid both ways by Terre Haute First National for savings and checking account transactions. Saves you needless, time-consuming trips to the bank. Saves gas, too.

FREE NOTARY SERVICE.
Whenever you've got to have anything notarized, just drop by your nearest Terre Haute First National Bank and we'll notarize it for you at no charge. It's just that easy.

FREE CHECKBOOK BALANCING.
As you know, it's your obligation to balance your statement every month. Yet, if you're unable to balance it, just bring your checkbook register and current monthly statement to us. We'll be happy to clear up any problems you may have with your account.

FREE ESTATE PLANNING.
As long as you have a home, some life insurance and some savings, you probably should have a will—so as to avoid paying any unnecessary inheritance taxes. If you haven't done so already, now would be a good time to sit down with a trust officer from Terre Haute First National Bank. He'll give you all the estate planning advice he can. What's more, it won't cost you a cent.

FREE AUTOMATIC DEPOSIT OF YOUR SOCIAL SECURITY CHECKS.
This service not only saves you time- and gas-consuming trips to the bank, but it also assures you that your Social Security checks are deposited to your account each and every month. So you never have to worry about the security of your checks. Or that you won't be able to get them deposited in time. Just stop by and sign the necessary forms and we'll see to it that your Social Security checks are automatically deposited to your checking or savings account.

FREE SIGNATURE GUARANTEE.
Whenever you have a document (e.g. stock, bond, etc.) that requires a signature guarantee, just bring it to us. We'll be glad to guarantee your signature at no cost to you.

FREE MEMBERSHIP CARD.
Your Economizer membership card entitles you to all the services, privileges and courtesies provided every customer entitled to the money-saving services of The Economizer.

TERRE HAUTE FIRST NATIONAL BANK
Member FDIC

We tell it like it is.

FirstPlus

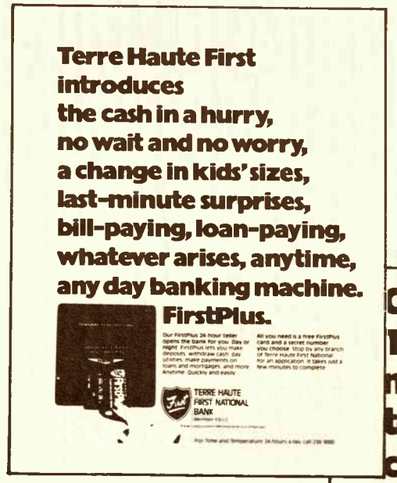
Characteristic of the wave of electronic services impacting the banking industry today, FirstPlus, Terre Haute First National Bank's answer to twenty-four-hour banking, was introduced to the community the week of July 19-25 through demonstrations at the Fifty-First Annual Vigo County Fair.

With over 50 different transaction capabilities, FirstPlus affords customers immediate account balance availiability, accepts deposits, cash withdrawals, utility and loan payments, and has the capacity to transfer funds from one account to another.

Displayed at various Terre Haute First National Bank branch locations throughout the latter portion of 1980, the first of such automated teller units was installed at Springhill Branch, 4500 Dixie Bee Road, December 3. Approximately one month later, FirstPlus went into operation at the Bank's West Terre Haute Branch, 309 National Avenue, West Terre Haute, and plans include operation of two additional FirstPlus units at Meadows Center and Plaza North branches by mid-1981.

Directly linked to Bank computer files, FirstPlus offers the Terre Haute First customer up-to-the-minute information with balance inquiry, in addition to the fact that this online system can be easily adapted to future banking services as needs arise.

Operating on a never-close principle, FirstPlus has truly added a new dimension of banking service for the Terre Haute First National Bank customer.



Checking With Interest — NOW

During the end of 1980 and early 1981 customers of financial institutions all over the country were introduced to the NOW account in response to passage of an omnibus legislative package signed by former President Carter and known as the Depository Institutions Deregulation and Monetary Control Act of 1980.

Although technically savings accounts against which customers can write drafts, NOW's (Negotiable Order of Withdrawals) are publicly perceived and promoted as interest-bearing checking accounts.

Terre Haute First National Bank's version of the NOW account, Checking With Interest — NOW, was introduced to the public through a teaser advertisement campaign in early November; however, in accordance with the recently passed legislation, customers signing for the account were not permitted to begin earning interest on checking account funds until January 1, 1981. At that time Terre Haute First began paying the maximum interest rate allowed by regulations, 5¼%, which will compound continuously and be paid at the customer's monthly statement time. The annual compounding interest rate will be 5.39%.

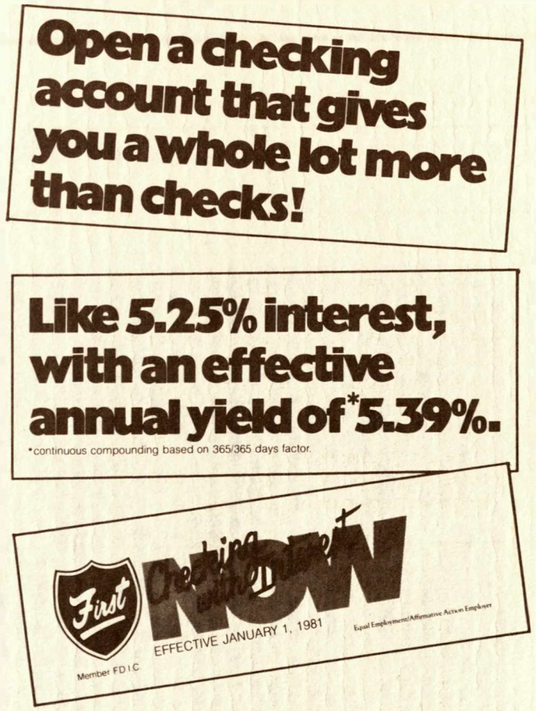
Most beneficial to high balance customers, Checking With Interest — NOW is offered at no monthly charge if a customer maintains an average balance of $1500 or more during the month, or if a customer has a savings account with a $2500 minimum balance or more for the month (however, in either case, there is a $.15 per check charge for each check written beyond the first 50 checks paid).

With an interesting history, the NOW account is a familiar part of banking in the eastern portion of the United States. It was conceived at the Consumer Savings Bank in Worchester, Massachusetts when the Bank introduced a type of savings account which would permit a "negotiable order of withdrawal" which could be paid to third parties.

When the Massachusetts Commissioner of Banks was asked to approve the account, the request was denied. The Consumers Bank filed suit, and the State Supreme Court declared the account legal in 1972.

The concept spread rapidly to other savings banks in Massachusetts and New Hampshire; however, pressure grew for some type of regulation of the account. Congressional hearings resulted, with the 1973 adoption of Public Law 93-100, authorizing most financial institutions, including commercial banks, in the states of Massachusetts and New Hampshire to offer NOW accounts under regulations set forth by the Federal Reserve Board and the Federal Deposits Insurance Corporation.

In 1976 authorization was granted to all six New England states to offer the NOW account, opening the door to what was later to become known in financial circles as "The New England Experience." By 1978 the NOW account became legal in New York, and two years later was legalized across the remainder of the country.



Six-Month Money Market Certificates and 2½-Year Savings Certificates

Substantial growth occured in deposits at Terre Haute First National Bank during 1980 in the areas of six-month money market certificates and 2½-year savings certificates.

Introduced in June of 1978, the six-month money market certificates are issued at an interest rate which changes each week in accordance with the average six month's U.S. Treasury Bill rate, while the 2½-year savings certificates, approved by the Federal Reserve Board in late-1979, are based on a monthly interest rate ceiling pegged to U.S. Treasury securities.

Board of Directors

Terre Haute First National Bank's Board of Directors

Standing (left to right): Max Gibson, President, Gibson Coal Company; Walter A. Bledsoe, Investments; Jack W. Ragle, President, Graham Grain Company; William Niemeyer, Director, Commercial Lovelace, Inc.; Richard W. Kelly, Chairman, Bituminous Materials Company, Incorporated; Welby M. Frantz, President, American Movers Conference; Patrick O'Leary, President, Terre Haute Concrete Supply Corporation; and Richard E. Conrad, Senior Vice President and Cashier, Terre Haute First National Bank. Seated (left to right): Edward B. Ijams, Investments; Mary Fendrich Hulman, Chairman of the Board, Hulman and Company; Donald E. Smith, President and Chief Executive Officer, Terre Haute First National Bank; John J. Cleary, Retired; Wilson N. Cox, Attorney at Law; and Henry P. Smith, President, Deep Vein Coal Company.

Official Organization

643-645 Wabash Avenue:
Donald E. Smith, *President & Chief Executive Officer*
Richard E. Conrad, *Senior Vice President & Cashier*
King A. Fasig, *Senior Vice President & Trust Officer*
Ray G. Ingram, *Administrative Vice President*
Benjamin C. Fairhurst, *Vice President-Commercial Loans*
John W. Perry, *Vice President-Finance*
Michael A. Carty, *Controller*
Robert D. Marsh, *Trust Officer*
Cary W. Sparks, *Trust Officer*
Grace R. Redman, *Assistant Vice President & Branch Manager*
Janet Masters, *Assistant Vice President-Commercial Loans*
Terrell A. White, *Assistant Vice President-Commercial Leasing*
Jerry L. Williams, *Assistant Vice President-Commercial Loans*
Robert D. Gibbons, *Assistant Cashier & Customer Investment Officer*
Joseph L. McDaniel, *Assistant Cashier & Assistant Trust Officer*
Frances Perdieu, *Assistant Cashier & Assistant Branch Manager*
Martha J. Kelley, *Assistant Cashier-Commercial Loans*
Erma Dale Mathis, *Assistant Cashier-Finance/Control*
Alan L. Sackrider, *Assistant Cashier-Commercial Loans*
Eugene N. Davies, *Jr., Assistant Trust Officer*
Alex F. Kosarko, *Jr., Assistant Trust Officer*
Mary Ann Murphy, *Commercial Leasing Officer*
W. N. Cox, *Counsel*

511-523 Wabash Avenue:
James E. Brown, *Senior Vice President-Mortgage Loans*
Vernon M. Cook, *Assistant Vice President-Mortage Loans*
James A. Watkins, *Assistant Vice President-Mortgage Loans*
Winnie Jo Cochran, *Assistant Vice President & Branch Manager*
David E. Rogers, *Assistant Cashier-Mortgage Loans*
Albert R. Monninger, *Assistant Cashier-Installment Loans*
Pete J. Piazza, *Assistant Cashier-Credit Cards*
Charles M. Liehr, *Assistant Cashier-Installment Loans*

Operations Center:
Stanley V. Hart, *Vice President-Operations*
Charley E. Hendricks, *Vice President & Farm Manager*
Don Lofton, *Vice President-Advertising & Public Relations*
Jerrald L. Titus, *Vice President-Installment Loans*
Richard O. White, *Vice President-Branch Administrator*
Keith L. Myers, *Auditor*
Steven Thompson, *Assistant Auditor*
William B. Adams, *Assistant Vice President-Installment Loans*
James H. Clayton, *Assistant Vice President-Business Development*
Marc Beeson, *Assistant Vice President-Business Development*
John E. Evans, *Assistant Vice President-Operations*
William H. Jeffries, *Assistant Vice President-Bookeeping*
Lawrence W. Shopmeyer, *Assistant Vice President-Collections*
Merle M. Allen, *Assistant Cashier-Branch Administration*
Mary Joyce Brokaw, *Assistant Cashier-Installment Loans*
Lela Cooper, *Assistant Cashier-Personnel Officer*
William G. O'Rourke, *Assistant Cashier-Manager, Data Entry*
William M. Sims, *Assistant Cashier-Installment Loans*
Ronald B. Weaver, *Assistant Cashier-Installment Loans*
Donald F. Bovenschulte, *Security Officer*
Deborah S. Pierce, *Assistant Cashier*
Nan Turner, *Assistant Personnel Officer*

Maple Avenue:
Larry W. Howard, *Assistant Vice President & Branch Manager*
Marylou Hoffman, *Assistant Cashier & Assistant Branch Manager*

Meadows Center:
Morris G. Crumrin, *Assistant Vice President & Branch Manager*
William R. Farris, *Assistant Cashier & Assistant Branch Manager*

Plaza North:
David Ballinger, *Assistant Vice President & Branch Manager*
Jeffrey K. Redman, *Assistant Cashier & Assistant Branch Manager*

Seelyville:
Michael F. Holmes, *Assistant Vice President & Branch Manager*

Southland:
Ronald W. Reagan, *Assistant Vice President & Branch Manager*
Phillip R. Garrigus, *Assistant Cashier & Assistant Branch Manager*

Springhill Branch:
Leland S. Sutherland, *Assistant Vice President & Branch Manager*
Nicholas J. Anderson, *Assistant Cashier & Assistant Branch Manager*

West Terre Haute:
Harold V. Rost, *Assistant Vice President & Branch Manager*
David L. Johnston, *Assistant Vice President & Assistant Branch Manager*

Branch	Locations
Main Office	643-645 Wabash Avenue
Downtown	511 Wabash Avenue
Maple Avenue	4065 Maple Avenue
Meadows Center	350 South 25 Street
Plaza North	Ft. Harrison Road and Lafayette Avenue
Seelyville	Seelyville, Indiana
Southland	7th Street and Margaret Avenue
Springhill	4500 Dixie Bee Road
West Terre Haute	309 National Avenue West Terre Haute, Indiana

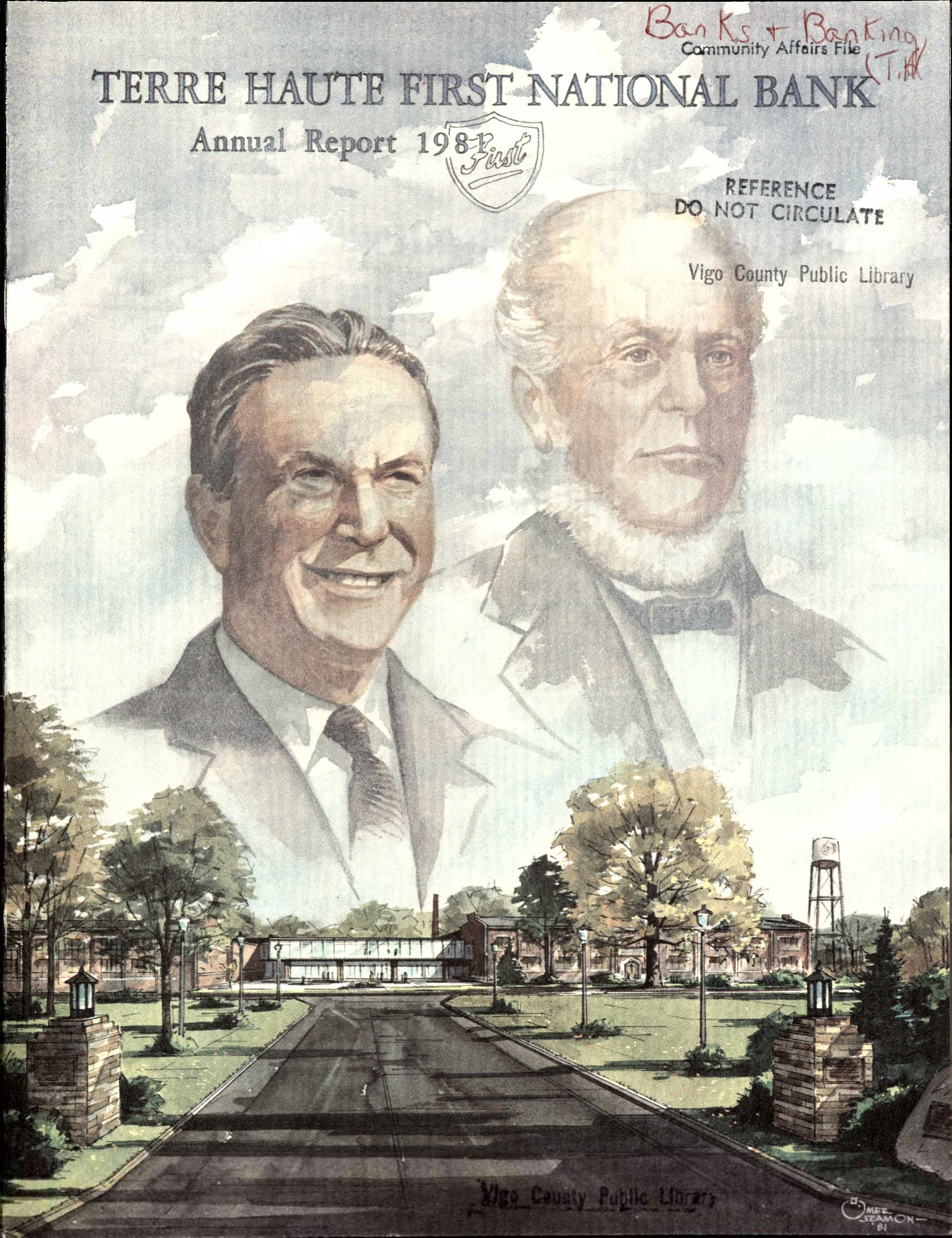
Terre Haute First National Bank
Terre Haute, Indiana 47807

Member Federal Reserve System

Member FDIC

TERRE HAUTE FIRST NATIONAL BANK

Annual Report 1981



Financial Highlights

FOR THE YEAR

	1981	1980	% Change
Operating Income	$ 41,668,106	$ 32,540,952	+28.05
Operating Expenses	40,960,584	29,300,326	+39.80
Income Before Security Losses	2,620,522	3,224,548	(18.73)
Net Income	2,518,425	3,011,993	(16.39)
Net Income Per Share	15.55	18.59	(16.39)
Dividends Declared	810,000	769,500	+ 5.26
Cash Dividends Paid Per Share	5.00	4.75	+11.11
Interest Paid Depositors	27,113,882	17,831,576	+52.06

AT YEAR END

Assets	$408,948,751	$355,011,342	+15.19
Deposits	338,832,759	308,514,106	+ 9.83
Loans	180,238,483	170,359,735	+ 5.80
Investments	106,775,451	104,776,511	+ 1.91
Capital Funds	24,979,736	23,271,311	+ 7.34
Number of Shares Outstanding	162,000	162,000	-0-
Book Value Per Share	154.20	143.65	+ 7.34
Number of Shareholders	370	364	+ 1.65
Number of Officers and Employees (Full Time)	275	279	(1.43)

Our Cover:

Rose-Hulman Institute of Technology, the oldest privately supported engineering college west of the Allegheny Mountains, is depicted on the cover of this report by noted Indiana artist, D. Omer "Salty" Seamon.

Not only has Seamon captured the beauty of the Rose-Hulman campus, but he has captured the unique blending of personalities which have made the campus what it is today. Overlooking Rose-Hulman's newest planned addition, a major classroom and laboratory complex funded by the Olin Corporation, are Chauncey Rose and Anton Hulman Jr., the two men for which the 107-year-old campus is named.

Founded in 1875 by early Terre Haute settler and entrepreneur, Chauncey Rose, the school was re-named in 1970 through the gift of Anton Hulman Jr. and the Hulman family.

The Olin addition represents a fitting tribute to these two men. To be sited west and connecting to the front portion of Moench Hall, the Site of an upcoming major renovation, the 65,000 square foot structure will house chemical engineering, civil engineering, and life science classrooms and laboratories.

Terre Haute First National Bank salutes Rose-Hulman Institute of Technology and its strong commitment to education. The school, recently named by Barron's Guide of the Most Prestigious Colleges as one of the top 50 colleges in the United States, is a definite asset to the city of Terre Haute and to the State of Indiana.

To Our Shareholders, Our Customers, Business Community, and Our Employees:

The year 1981 marked another exceptional year for the introduction of new services at Terre Haute First National Bank. Joining our "first" family of banking features were three additional FirstPlus 24-hour automated teller units; tax-favored All Savers Certificates; and "Checking With Interest—NOW," an interest-bearing checking account plan. Introduced in late 1981 as part of President Reagan's Economic Recovery Tax Act were new stipulations, effective January 1, 1982, regarding individual retirement accounts (IRAs). Plus, in June of last year, we extended our banking hours, enabling customers to take further advantage of these and our many other financial services.

A record of unsurpassed community involvement was also reached by Terre Haute First and its employees during 1981 as employees donated hundreds of hours to over 78 community agencies and organizations, while the Bank, also, supported several community projects.

In addition to outstanding performance in the areas of expanded customer services and continued community support, 1981 was a year which marked an all-time high for the assets of Terre Haute First National Bank, reaching $408,948,751. This represents an increase of 15.19 percent over 1980. Also increasing over last year's figures were deposits, equalling $338,832,759 at year-end. Earnings amounted to $2,518,425.

Once again in 1981 the Bank decided to take security losses on part of its investment portfolio. The securities sold were reinvested in higher yielding securities to increase the total return to the Bank without extending the average maturity of the investment portfolio.

The board of directors declared an extra $1.50 per share dividend in May and in November along with the regular $2.00 per share dividends. Total dividends declared in 1981 equalled $810,000. The book value per share for the year was $154.20.

At the December board of directors meeting the board approved for submission to the stockholders at our annual meeting March 16, 1982, a proposed stock dividend. For each share of stock presently held, a stockholder will receive 2.0864 additional shares. The par value per share would be reduced from $20 per share to $10 per share. Also being submitted to the stockholders is a request to authorize an additional 250,000 shares that would be unissued.

Also noteworthy during 1981 were the educational achievements of three Terre Haute First National Bank officers: assistant vice presidents William H. Jeffries and William G. O'Rourke; and assistant cashier, Alan L. Sackrider. William Jeffries completed post graduate work at the University of Wisconsin Graduate School of Banking, while William O'Rourke completed graduate work there. Graduating from the National Commercial Lending School at the University of Oklahoma was Alan Sackrider.

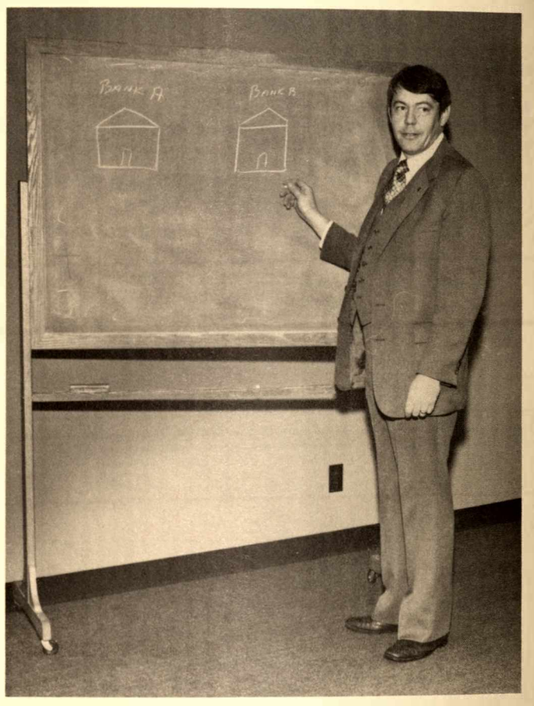
Our staff of officers was further strengthened in 1981 when James R. Brown, a certified public accountant, joined Terre Haute First as assistant trust officer. Also joining the Bank during 1981 was Fred P. Rubey, as assistant vice-president, marketing department.

IRAs were just one of the many services introduced at Terre Haute First National Bank in 1981.

At the December meeting of the board of directors six employees were appointed to the officer level, and seven officers were promoted to advanced positions. Newly elected officers include: Mark R. Ewald, assistant cashier and assistant manager, bookkeeping department; Bobbi Ann McPeak, public relations officer; Scott A. McCullough, assistant cashier and loan review officer, commercial loans; David P. Anshutz, assistant cashier, mortgage loans; Bernard N. Conrad, installment loan officer; Phil Wetzel, collection officer; and Anna Louise Ferry, assistant cashier, installment loans. Promoted officers include: David E. Rogers, advanced from assistant cashier to assistant vice president, mortgage loans; Cary Sparks, promoted from trust officer to assistant vice president and trust officer; Marylou Hoffman, advanced from assistant cashier, Maple Avenue Branch, to assistant vice president; William G. O'Rourke, promoted to assistant vice president, operations, from assistant cashier; Deborah Pierce, advanced from assistant cashier to assistant vice president, operations; and Steven L. Thompson, advanced from assistant auditor to auditor.

An important aspect of our community service profile is our interest in education. Terre Haute First National Bank annually participates in internship programs in cooperation with area colleges and universities. The programs prove to be valuable practical experience for the students in their chosen fields of study, and may also provide an arena in which new career paths may be tested if an internship is undertaken in a field varying from the student's major area of study.

Bank's educational input has many faces . . . St. Mary of the Woods College senior Peggy Mueller, a participant in an internship program in Terre Haute First's Auditing Department, received instruction from Department member, Agatha Glosson.



The Bank becomes an educational arena each semester when American Institute of Banking (AIB) classes, such as those instructed by Stan Hart (above), are held at Springhill Operations Center.

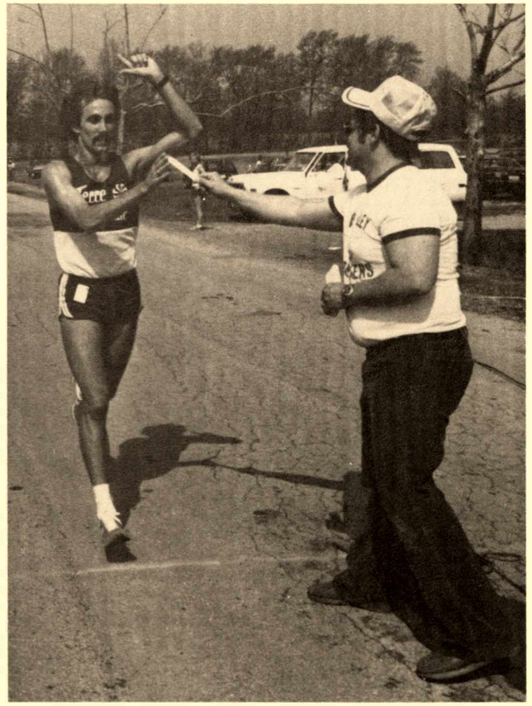
During the fall and winter semesters the Bank becomes an educational arena for our own employees as well as those from area banks when American Institute of Banking (AIB) classes are offered several nights each week at our Springhill Operations Center, 4500 Dixie Bee Road. Based on the concept of "bankers teaching bankers," these classes are instructed by staff members and range from introduction to data processing to principles of banking. Last year, alone, a total of 91 Terre Haute First National Bank employees were enrolled in such classes.

Our input into the educational process does not end with internships and AIB classes. Last spring, for the eighth consecutive year, Terre Haute First National Bank co-sponsored the Women's Finance Forum in cooperation with Indiana State University's Department of Academic Services. Attendance neared the 200-mark as women from all walks of life gathered on the university campus to hear experts from the fields of investments, credit, and banking offer an insight into the modern money picture. A capacity crowd is anticipated again this year as financial matters appear to be uppermost in everyone's minds.

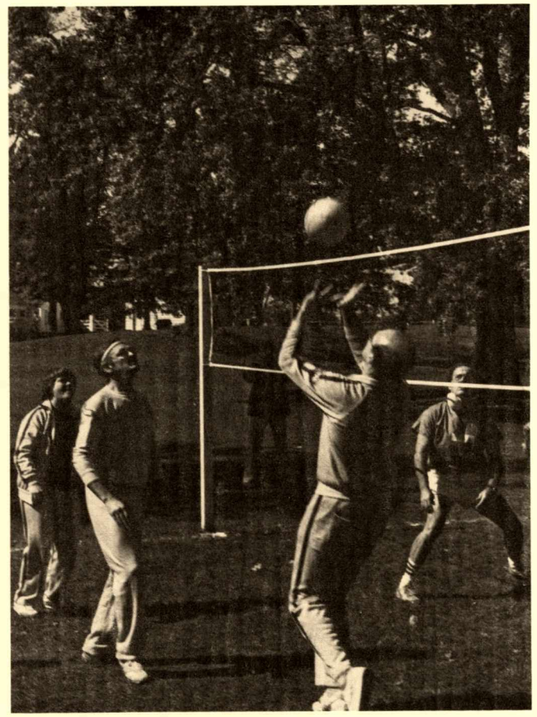
In addition to educating, Terre Haute First is interested in those who educate. Last July, we hosted Mexican school board officials visiting Terre Haute as part of a cooperative exchange program between the Vigo County School Corporation and La Escuela Americana in Pachucha, Mexico. An employee of the Bank served as the group's official interpreter as the group visited Ouabache Elementary School, Billie Creek Village, the Indianapolis Motor Speedway Museum, and a school bus manufacturing site.

One would be remiss to highlight the Bank's community profile and not mention the sponsorship of athletic activities. Each spring, nearly 300 runners compete in the Terre Haute First National Bank Spring Distance Classic, composed of a 5 and a 10 kilometer race, both of which begin at Honey Creek Junior High School. The event, co-sponsored by the Wabash Valley Pacemakers Club, is entering its sixth consecutive year.

A second distance classic was added in 1981 with the Terre Haute First National Bank Fall Distance Classic, held at the Bank's recreational area for employees, Forest Park, which is



Each spring and fall hundreds of runners compete in Terre Haute First National Bank Distance Classics.



In the name of physical fitness, representatives from fifteen area companies participated in the 1981 Corporate Olympics sponsored by Terre Haute First National Bank.

located northeast of the city. Nearly 150 runners participated in the Saturday morning race which carried participants along rolling terrain amid a lush setting of fall foliage.

The employee recreational area was also the scene for the 1981 Corporate Olympics, in which representatives from fifteen area companies and organizations competed in a series of madcap "non-sporting" events ranging from water balloon tosses to pink champagne relay races. Plans are already underway for next year's outing.

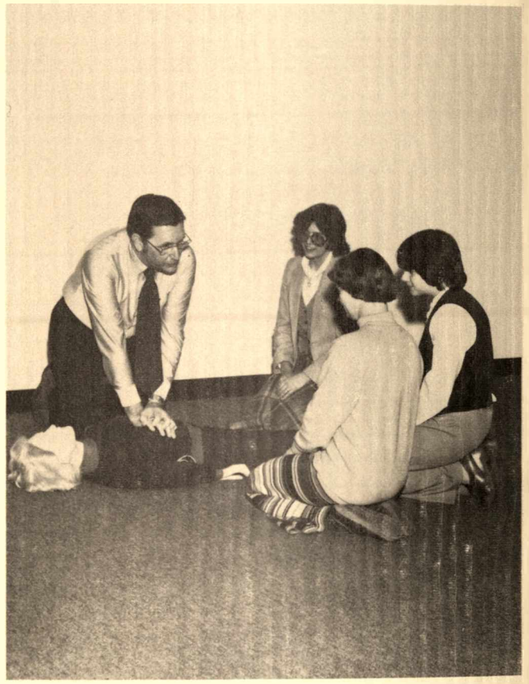
And summer just wouldn't be the same without the scores of softball teams that take shape in the Wabash Valley with the onset of warmer temperatures. Under the Bank's sponsorship in 1981, three teams bearing the familiar Terre Haute First shield fared well in local league and state tourney play. The Terre Haute First National Stars, a Connie Mack team, hosted the Division Tourney of the American Amateur Baseball Congress. Plus, a Bank-sponsored group of 13-15 year-old girls placed second in the ASA state championships, and Terre Haute First's own softball team composed of male employees, placed third in a state slowpitch tourney at Glenn Center.

Another phase of Terre Haute First's commitment to the spirit of competition is our interest in the Indiana Special Olympics. Not only did a group of 30 Bank employees help chaperone a dance for Olympic participants, but also during 1981 20 hours of computer time were donated by the Bank from its data processing service, Systematics, Incorporated, toward revision of a national computer program used to place Special Olympics entrants, numbering nearly 3000 last year, in as many as seven events each during the annual competition for handicapped children and young adults. Indiana Special Olympics director, Dennis Schmidt, said, "Without the computer program organizing participants and events, it would be 'mind-boggling' to place and organize what amounts to 6000 individual entries."

The annual Elks 86-Terre Haute golf tournament, co-sponsored by Terre Haute First, is another well-known face of summer in Terre Haute. Held each July at the Elks Country Club golf course, the three-day event features celebrity tourney play, hosting such celebrities as NBA star, Larry Bird; race drivers Tom and Jerry Sneva, and Los Angeles Lakers star, Tom Abernethy. Following the celebrity event is a two-day amateur tourney. Proceeds are donated to the Elks charities.

And a new twist was added to the Terre Haute First National Bank community service profile during 1981 when Girl Scouts representing 18 troops in the Terre Haute Covered Bridge Council served their well-known cookies to customers in all nine branches of the Bank on Friday, March 27. The project, which commemorated March as National Girl Scout Month, offered the Scouts valuable business experience through the sale of the cookies to the Bank and through the girls' actual presence in our branches the day the cookies were served.

Rounding out our profile of community responsibility are the projects we sponsor each December. Approaching its fourth year in the Terre Haute community is the Bank's "Christmas Around the World" decorating contest in which various clubs and organizations transform the branches into magical Christmas wonderlands representing the yuletide customs of various nationalities. Not only has the event attracted community-wide support, but it has been acclaimed in two major banking periodicals, in addition. A total of 18 Vigo County clubs and organizations have participated in the yuletide event since its inception in 1979.



Terre Haute First has also been a leader in the community in sponsorship of cardio-pulmonary resuscitation (CPR) classes. Here, a group of employees observe Don Bovenshulte practice this life-saving technique.

Another December activity which is a favorite among employees is the annual toy drive. Introduced in 1978, the drive collects used toys among Bank employees to benefit such organizations as the Goodwill Industries (1981); the Lighthouse Mission (1980); the Salvation Army (1979); and the Glenn Home (1978).

The officers, directors, and employees of Terre Haute First National Bank greet 1982 with continued pride in the fact that our Bank offers the most complete package of banking services, teamed with friendly, efficient service, in the Wabash Valley. We are also proud to be such a vital part of the community in which we live. And, we are proud of you, our shareholders, business community, and friends, for your continued support.

Sincerely,

Donald E. Smith

Donald E. Smith
President and Chief Executive Officer

Statements of Condition

	December 31 1981	1980 (Restated—Note B)
ASSETS		
Cash and Due From Banks	$ 31,056,566	$ 20,444,518
Due From Banks—Interest Bearing	69,150,203	9,057,355
Federal Funds Sold	—	33,400,000
Investment Securities—Note C	106,775,451	104,776,511
Loans—Notes D and E	191,945,720	182,357,995
Unearned discount (deduction)	(11,707,237)	(11,998,260)
Allowance for possible loan losses (deduction)	(1,758,056)	(1,982,951)
	178,480,427	168,376,784
Direct and Leveraged Lease Financing—Note F	8,019,905	7,219,670
Accrued Income Receivable	6,572,727	4,459,897
Other Real Estate	494,110	400,000
Premises and Equipment—Note G	5,353,722	5,109,434
Other Assets	3,045,640	1,767,173
	$408,948,751	$355,011,342
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits—Note H		
Demand	$ 68,812,777	$ 78,383,083
Savings	74,111,153	64,290,619
Time	195,908,829	165,840,404
	338,832,759	308,514,106
Funds Purchased and Securities Sold Under Agreements to Repurchase	38,677,319	17,475,495
Deferred Federal Income Taxes—Note I	1,960,503	1,793,465
Other Liabilities	4,498,434	3,956,965
TOTAL LIABILITIES	383,969,015	331,740,031
Shareholders' Equity		
Common Stock, par value $20 a share—authorized, issued and outstanding 162,000 shares	3,240,000	3,240,000
Additional capital	9,260,000	9,260,000
Retained earnings	12,479,736	10,771,311
	24,979,736	23,271,311
Commitments—Note K		
	$408,948,751	$355,011,342

See notes to financial statements.

Statements of Income

	Year Ended December 31 1981	1980 (Restated—Note B)
INTEREST REVENUE		
Interest and fees on loans	$23,008,339	$19,402,662
Interest on investment securities:		
Taxable	6,941,781	5,030,152
Exempt from federal income taxes	2,838,900	2,440,498
	9,780,681	7,470,650
Interest on due from banks—interest bearing	3,959,058	322,064
Interest on federal funds sold	2,482,305	3,409,238
Lease financing	784,934	423,543
	40,015,317	31,028,157
INTEREST EXPENSE		
Interest on savings deposits	3,802,033	3,668,185
Interest on time deposits—Note H	23,311,849	14,163,391
Interest on borrowed funds	2,946,783	1,834,144
	30,060,665	19,665,720
NET INTEREST REVENUE	9,954,652	11,362,437
Provision for loan losses—Note E	603,000	430,000
NET INTEREST CONTRIBUTION	9,351,652	10,932,437
OTHER OPERATING REVENUE		
Trust department income	354,284	344,984
Service charges on deposit accounts	468,291	383,517
Other service charges and fees	643,288	665,248
Other income	186,926	119,046
	1,652,789	1,512,795
OPERATING EXPENSES		
Salaries	3,975,036	3,467,659
Pension and other employee benefits	948,939	764,114
Occupancy expense	669,556	629,217
Equipment expense	557,238	489,761
Data processing expense	905,301	767,254
Other expenses	3,240,849	3,086,601
	10,296,919	9,204,606
INCOME BEFORE FEDERAL INCOME TAXES AND SECURITY LOSSES	707,522	3,240,626
Federal income taxes (credit)—Note I	(1,913,000)	16,078
INCOME BEFORE SECURITY LOSSES	2,620,522	3,224,548
Security losses, less applicable federal income tax credit: 1981, $94,000; 1980, $181,000	102,097	212,555
NET INCOME	$ 2,518,425	$ 3,011,993
Income (loss) per share of Common Stock		
Income before security losses	$ 16.18	$ 19.90
Security losses	(.63)	(1.31)
Net income	$ 15.55	$ 18.59

See notes to financial statements.

Statements of Shareholders' Equity

	Common Stock	Additional Capital	Retained Earnings
Year ended December 31, 1980:			
Balances at January 1, 1980:			
As previously reported	$3,240,000	$9,260,000	$ 8,609,749
Restatement—Note B	—	—	(80,931)
As restated	3,240,000	9,260,000	8,528,818
Additions (deductions):			
Net income	—	—	3,011,993
Cash dividends—$4.75 per share	—	—	(769,500)
BALANCES AT DECEMBER 31, 1980	3,240,000	9,260,000	10,771,311
Year ended December 31, 1981:			
Additions (deductions):			
Net income	—	—	2,518,425
Cash dividends—$5.00 per share	—	—	(810,000)
BALANCES AT DECEMBER 31, 1981	$3,240,000	$9,260,000	$12,479,736

See notes to financial statements.

Statements of Changes in Financial Position

	Year Ended December 31 1981	1980 (Restated—Note B)
SOURCE OF FUNDS		
Net income	$ 2,518,425	$ 3,011,993
Charges to income not requiring current outlay of cash:		
Provision for depreciation	564,084	517,130
Provision for possible loan losses	603,000	430,000
Provision for deferred federal income taxes	180,172	211,518
Amortization of premiums, less accretion of discounts on investment securities	50,987	45,033
TOTAL FROM OPERATIONS	3,916,668	4,215,674
Decrease in cash and due from banks	—	2,754,528
Decrease in federal funds sold	33,400,000	—
Increase in deposits	30,318,653	39,634,615
Increase in funds purchased and securities sold under agreement to repurchase	21,201,824	1,961,027
Increase in other liabilities	541,469	546,746
	$89,378,614	$49,112,590
APPLICATION OF FUNDS		
Increase in cash and due from banks	$10,612,048	$ —
Increase in due from banks—interest bearing	60,092,848	9,057,355
Increase in federal funds sold	—	10,300,000
Increase in investment securities	2,049,927	17,740,702
Increase in loans	10,706,643	4,828,765
Increase in direct and leveraged lease financing	804,198	3,185,184
Increase in accrued income receivable	2,112,830	1,100,472
Increase in other real estate	94,110	220,601
Additions to premises and equipment	808,372	1,176,331
Increase in other assets	1,287,638	733,680
Cash dividends	810,000	769,500
	$89,378,614	$49,112,590

See notes to financial statements.

Notes to Financial Statements

NOTE A—SIGNIFICANT ACCOUNTING POLICIES

Investment Securities: Investment securities are stated at cost adjusted for amortization of premium and accretion of discount, both computed by the straight-line method. Gains and losses on the sale of investment securities are based on the adjusted cost of the specific security.

Loans: Interest income on commercial and mortgage loans is recorded monthly as earned. Interest income on consumer loans is principally recorded by the sum-of-the-months-digits method.

Allowance for Possible Loan Losses: The allowance for possible loan losses is maintained at a level considered adequate to provide for potential loan losses and is based on management's evaluation of potential losses in the loan portfolio, as well as prevailing and anticipated economic conditions. The allowance is increased by provisions charged against income and reduced by net charge-offs.

Direct and Leveraged Lease Financing: Income from direct and leveraged financing leases, including tax benefits, is, in general, recognized at a constant return on the unrecovered investment.

Premises and Equipment: Premises and equipment are recorded on the basis of cost. Provisions for depreciation are computed on the declining-balance and straight-line methods.

Federal Income Taxes: Federal income taxes are deferred for timing differences between pretax accounting income and taxable income. The investment tax credit resulting from expenditures for premises and equipment purchased for the Bank's own use is treated as a reduction of the provision for income taxes in the year the asset is placed in service. The investment tax credit relating to assets owned and leased to others is deferred and amortized over the term of the investment.

Employee Retirement Plan: Operating expenses include annual payments to the plan, which are computed actuarially by the entry age normal cost method to include normal costs and amortization of prior service costs over ten years.

NOTE B—ACCOUNTING CHANGE FOR VACATION PAY

Prior to 1981, the Bank followed the common practice of accounting for the costs of employees' vacation pay benefits in the period they were paid. Effective January 1, 1981, as a result of Financial Accounting Standards Board Statement No. 43, the Bank began accruing such benefits as they were earned. Financial statements for years prior to 1981 have been restated as prescribed by the Statement, resulting in a decrease in retained earnings as of January 1, 1980 of $80,931 (net of federal income taxes of $78,382) and a decrease in net income of $14,375 ($.09 per share) in 1980. The accounting change decreased net income by $16,115 ($.10 per share) in 1981.

NOTE C—INVESTMENT SECURITIES

Investment securities are summarized as follows:

	December 31			
	1981		1980	
	Carrying Amount	Market Price	Carrying Amount	Market Price
United States Government	$ 44,498,975	$43,723,500	$ 44,636,328	$42,797,000
Unites States Government agencies	17,386,350	17,392,238	11,783,772	11,465,839
State and municipal	44,890,126	33,916,382	48,356,411	39,004,667
TOTALS	$106,775,451	$95,032,120	$104,776,511	$93,267,506

Investment securities amounting to approximately $51,100,000 at December 31, 1981 were pledged as collateral for borrowings and for other purposes.

NOTE D—LOANS

Loans are summarized as follows:

	December 31	
	1981	1980
Commercial, financial and agricultural loans	$ 45,542,859	$ 45,682,175
Real estate construction loans	1,923,443	1,338,047
Real estate mortgage loans	82,556,120	74,886,169
Consumer loans	61,923,298	60,451,604
TOTALS	$191,945,720	$182,357,995

Certain directors and executive officers of the Bank, and their immediate families and companies in which they are principal owners, were loan customers of the Bank during 1981 and 1980. Such loans were made in the ordinary course of business on substantially the same terms as those prevailing at the time for comparable transactions with unrelated parties and amounted to approximately $5,159,000 and $4,498,000 at December 31, 1981 and 1980, respectively. These amounts included loans outstanding to a director and companies of which he is a principal owner of $1,975,000 and $2,449,000 at December 31, 1981 and 1980, respectively.

NOTE E—ALLOWANCE FOR POSSIBLE LOAN LOSSES

Changes in the allowance for possible loan losses are summarized as follows:

	1981	1980
Balance at beginning of year	$ 1,982,951	$1,980,297
Provision for possible loan losses	603,000	430,000
Recoveries of loans previously charged off	368,910	117,371
Loans charged off (deduction)	(1,196,805)	(544,717)
BALANCE AT END OF YEAR	$ 1,758,056	$1,982,951

NOTE F—DIRECT AND LEVERAGED LEASE FINANCING

Lease financing is summarized as follows:

	December 31	
	1981	1980
Direct financing leases	$6,421,442	$5,515,894
Leveraged leases	1,598,463	1,703,776
TOTALS	$8,019,905	$7,219,670

The Bank is the lessor in direct financing leases of certain shipping and various other equipment with terms ranging from three to fifteen years. The components of the Bank's net investment in direct financing leases are as follows:

	December 31	
	1981	1980
Lease payments receivable	$ 7,842,154	$ 6,854,220
Estimated residual values	506,750	339,646
Unearned income (deduction)	(1,927,462)	(1,677,972)
TOTALS	$ 6,421,442	$ 5,515,894

At December 31, 1981 minimum lease payments for each of the succeeding five years are as follows: 1982, $2,190,000; 1983, $2,028,000; 1984, $1,689,000; 1985, $1,322,000; 1986, $428,000. Such amounts exclude executory costs such as taxes, insurance and maintenance.

The leveraged leases consist principally of the leasing of various machinery and equipment with terms ranging from seven to fifteen years. The Bank's equity investment represented approximately 22% to 43% of the purchase price; the remaining amounts were furnished by third-party financing in the form of long-term debt that provides for no recourse against the Bank and are secured by first liens on the property.

The Bank's net investment in leveraged leases is composed of the following elements:

	December 31 1981	1980
Rentals receivable—net of principal and interest on the nonrecourse debt	$ 967,506	$ 1,051,775
Estimated residual value	803,096	838,096
Unearned income (deduction)	(172,139)	(186,095)
Investment in leveraged leases	1,598,463	1,703,776
Deferred taxes arising from leveraged leases (deduction)	(1,268,184)	(1,364,043)
NET INVESTMENT IN LEVERAGED LEASES	$ 330,279	$ 339,733

NOTE G—PREMISES AND EQUIPMENT

Premises and equipment are summarized as follows:

	December 31 1981	1980
Land	$1,326,868	$1,314,868
Building and leasehold improvements	4,374,645	4,057,735
Furniture and equipment	3,128,931	2,657,321
	8,830,444	8,029,924
Less allowances for depreciation	3,476,722	2,920,490
TOTALS	$5,353,722	$5,109,434

NOTE H—DEPOSITS

Deposits are summarized as follows:

	December 31 1981	1980
Demand deposits for individuals, partnerships and corporations	$ 52,420,361	$ 61,321,178
Time and savings deposits of individuals, partnerships and corporations	265,574,571	221,859,474
Deposits of United States Government	546,421	668,315
Deposits of States and political subdivisions	11,565,608	18,103,202
Deposits of commercial banks	7,257,440	4,817,513
Certified and official checks	1,468,358	1,834,424
TOTALS	$338,832,759	$308,514,106

Certificates of deposit which individually equal or exceed $100,000 aggregated approximately $46,441,000 and $47,424,000 at December 31, 1981 and 1980, respectively. Interest expense with respect to these certificates for the years ended December 31, 1981 and 1980 was approximately $6,974,000 and $4,691,000, respectively.

NOTE I—FEDERAL INCOME TAXES

Federal income tax expense (credit) is summarized as follows:

	1981	1980
Current (recoverable)	$(2,093,172)	$(195,440)
Deferred	180,172	211,518
TOTALS	$(1,913,000)	$ 16,078

Deferred federal income tax expense results from the following:

	1981	1980
Bad debt deduction for financial reporting purposes less than (greater than) that provided for tax purposes	$114,659	$ (1,211)
Operating method of accounting for direct and leveraged lease financing transactions for tax purposes	30,499	194,511
Accretions of securities not included for tax purposes	21,542	26,207
Other (credit)	13,472	(7,989)
TOTALS	$180,172	$211,518

A reconciliation of federal income tax expense (credit) with the amount computed by applying the statutory federal income tax rate to income before federal income taxes and security losses is summarized as follows:

	1981	1980
Federal income taxes computed at the statutory rate	$ 325,460	$ 1,490,688
Add (deduct) tax effect of:		
Nontaxable income from municipal securities, loans and leases	(2,106,581)	(1,358,438)
Investment tax credit	(70,269)	(102,744)
Other items	(61,610)	(13,428)
	(2,238,460)	(1,474,610)
TOTALS	$(1,913,000)	$ 16,078

NOTE J—EMPLOYEE RETIREMENT PLAN

The Bank has a noncontributory retirement plan covering approximately one-half of its employees. Expenses of the plan for the years ended December 31, 1981 and 1980 were approximately $330,000 and $275,000, respectively.

Accumulated plan benefit information, as estimated by consulting actuaries, and plan net assets for the Bank's plan as of January 1 (the latest valuation date) were:

	1981	1980
Actuarial present value of accumulated plan benefits:		
Vested	$2,229,213	$1,810,258
Nonvested	291,161	210,250
	$2,520,374	$2,020,508
Net assets available for benefits	$3,004,328	$2,016,438

The assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 6%. The increase in net assets available for benefits includes proceeds from surrender of insurance policies relating to a Plan amendment, effective January 1, 1980, which limits death benefits paid by the Plan.

NOTE K—COMMITMENTS

The Bank is obligated under an electronic data processing service contract, expiring on January 31, 1986, which provides for minimum annual fees approximating: 1982, $898,000; 1983, $970,000; 1984 $1,047,000 and 1985, $1,131,000.

Report of Ernst & Whinney—Independent Auditors

Shareholders and Board of Directors
Terre Haute First National Bank
Terre Haute, Indiana

We have examined the statements of condition of Terre Haute First National Bank as of December 31, 1981 and 1980, and the related statements of income, shareholders' equity and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Terre Haute First National Bank at December 31, 1981 and 1980, and the results of its operations and changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Indianapolis, Indiana
January 15, 1982

Ernst + Whinney

Five-Year Comparative Summary (Thousands)
STATEMENT OF CONDITION

ASSETS	1981	1980 (Restated Note B)	1979 (Restated Note B)	1978 (Restated Note B)	1977 (Restated Note B)
Cash and Due From Banks	$100,207	$ 29,502	$ 23,199	$ 25,871	$ 21,605
Federal Funds Sold	-0-	33,400	23,100	14,500	5,200
Investment Securities	106,775	104,777	87,081	69,186	78,859
Loans, Net of Unearned Discount	180,238	170,360	165,958	157,611	133,661
Less: Reserve for Loan Losses	(1,758)	(1,983)	(1,980)	(1,885)	(1,752)
Loans, Net	$178,480	$168,377	$163,978	$155,726	$131,909
Other Assets	23,487	18,955	12,968	10,934	11,202
TOTAL ASSETS	$408,949	$355,011	$310,326	$276,217	$248,775
LIABILITIES					
Deposits					
Demand	$ 68,813	$ 78,383	$ 76,134	$ 70,892	$ 71,159
Savings and Time	270,020	230,131	192,746	180,364	158,448
TOTAL DEPOSITS	$338,833	$308,514	$268,880	$251,256	$229,607
Funds Purchased	38,677	17,475	15,514	3,338	500
Other Liabilities	6,459	5,751	4,903	3,217	2,330
TOTAL LIABILITIES	$383,969	$331,740	$289,297	$257,811	$232,437
CAPITAL					
Common Stock	$ 3,240	$ 3,240	$ 3,240	$ 3,240	$ 3,240
Surplus	9,260	9,260	9,260	9,260	9,260
Undivided Profits	12,480	10,771	8,529	5,906	3,838
TOTAL CAPITAL	$ 24,980	$ 23,271	$ 21,029	$ 18,406	$ 16,338
TOTAL LIABILITIES & CAPITAL	$408,949	$355,011	$310,326	$276,217	$248,775
STATEMENT OF INCOME					
Interest Revenue					
Interest and Fees on Loans	$ 23,008	$ 19,403	$ 17,450	$ 14,646	$ 11,162
Interest on Fed Funds Sold	2,482	3,409	2,286	570	516
Interest on Securities	13,740	7,793	5,137	4,265	4,213
Lease Financing	785	423	207	141	176
TOTAL INTEREST REVENUE	40,015	31,028	25,080	19,622	16,067
Interest Expense					
Interest on Deposits	27,114	17,832	12,620	9,877	8,172
Interest on Borrowed Funds	2,947	1,834	1,277	182	121
TOTAL INTEREST EXPENSE	30,061	19,666	13,897	10,059	8,293
Net Interest Revenue	9,954	11,362	11,183	9,563	7,774
Provision for Loan Losses	603	430	470	505	210
NET INTEREST CONTRIBUTION	9,351	10,932	10,713	9,058	7,564
Other Income	1,653	1,513	1,473	1,358	1,191
	11,004	12,445	12,186	10,416	8,755
Other Expenses	10,297	9,205	8,129	7,167	6,744
Income Before Securities Gains (Losses)	707	3,241	4,057	3,249	2,011
Income Taxes	(1,913)	16	705	525	(51)
Net Operating Income	2,620	3,225	3,352	2,724	2,062
Securities Gains (Losses) Net	(102)	(213)	-0-	(8)	-0-
NET INCOME	$ 2,518	$ 3,011	$ 3,352	$ 2,716	$ 2,062

A Banner Year For The Introduction of New Services

FIRST-PLUS

July, 1981, marked the one-year anniversary of the introduction of Terre Haute First National Bank's automated teller, FirstPlus, to the Terre Haute community.

Introduced to the public at the Vigo County Fair in 1980, the 24-hour teller is in service at four Terre Haute First National Bank locations: Meadows Center Branch, 350 South 25th Street; Plaza North Branch, located at Fort Harrison Road and Lafayette Avenue; Springhill Branch, 4500 Dixie Bee Road; and West Terre Haute Branch, 309 National Avenue, West Terre Haute, Indiana.

Offering the customer immediate account balance availability, FirstPlus is linked directly to bank computer files and provides the most sophisticated form of automated banking in the Wabash Valley.

Activated through insertion of a magnetically-coded plastic card and a personal identification number keyed in by the customer, FirstPlus offers numerous transaction capabilities, including the ability to transact cash withdrawals; accepts deposits; transfers funds between accounts; accepts loan or utility payments by cash or check; accepts payment of loans or utility bills through funds transfers; and provides account balances upon inquiry.

Operating on an around-the-clock basis, FirstPlus complements traditional banking hours which were extended in June, 1981, at Terre Haute First to offer additional convenience to the customer.

CHECKING WITH INTEREST—NOW

Terre Haute First National Bank has had a very positive response to Checking With Interest—NOW, the Bank's interest-bearing checking account which became effective January 1, 1981, as part of former President Carter's far-reaching legislative package, the Depository Institutions Deregulation and Monetary Control Act of 1980.

Customers signing for the account earn the maximum interest rate allowed by federal regulations, 5¼ percent, which will compound continuously at an annual rate of 5.39 percent.

Most beneficial to high balance customers, Checking With Interest—NOW is offered at no monthly charge if a customer maintains an average balance of $1500 or more during the month, or if a customer has a savings account with a $2500 minimum balance or more for the month; however, in either case, there is a $.15 per check charge for each check written beyond the first 50 checks paid.

EXTENDED HOURS AT TERRE HAUTE FIRST NATIONAL BANK

In a continuing tradition of a long line of firsts in the community, Terre Haute First National Bank was first again with the June, 1981 announcement of extended banking hours, another extra for the banking convenience of customers.

Downtown hours at Main Office and 511 Wabash Avenue Branch are from 9 a.m. to 3 p.m., Monday thru Wednesday; and 9 a.m. to 5 p.m., Thursday and Friday.

All other Terre Haute First National Bank branches are now open from 9 a.m. to 3 p.m., Monday thru Wednesday; 9 a.m. to 5 p.m., Thursday; and 9 a.m. to 7 p.m., Friday.

The extended hours are complemented by the Bank's 24-hour teller machines in service at four Terre Haute First National Bank locations.

PEOPLE COME FIRST AT FIRST

Introduced in early fall of 1981 was Terre Haute First National Bank's newest advertising campaign, "People Come First at First."

The campaign not only imparts a very positive statement about the Bank's concern for customer needs and convenience, but the slogan conveys an image of Terre Haute First to the customer: a caring bank . . . a convenient bank with friendly, courteous employees who give customers good service . . . a bank that's active in community affairs and civic activities . . . the leading bank . . . progressive, modern, and fast-growing.

The Bank's strong desire to serve the Terre Haute First customer is stressed in the campaign, along with the fact that nine convenient locations are ready to serve the customer, either during regular banking hours or through use of our 24-hour teller machine, FirstPlus.

Featured in many of the campaign's television and radio ads is a jingle centering around the theme "People Come First at First." The sixty second version of the jingle reads:

Terre Haute First National
Says people come first at First
Part of its convenience
Putting branches close to you
and 24-hour tellers
FirstPlus banks when you want to
An Organizer statement
Or a VISA credit card
Checking options, savings plans
So savings not so hard

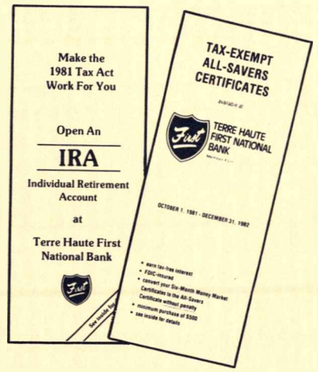
Yea, people come first at First
Part of its our people
Who know what money can do
People who make it work for you
We're people who mean business
Lend you money, lend a hand
We put your interest first
Because at First we understand

Yea, people come first at First
At Terre Haute First National
People Come First at First . . .

In essence, the campaign establishes a partnership with the customer. Terre Haute First lets the customer know his or her banking needs can be met in a personal banking situation, and that personal banking situation *is* Terre Haute First National Bank.

ALL SAVERS CERTIFICATES

Amid a flurry of national publicity, All Savers Certificates, created through President Reagan's omnibus 1981 Economic Tax Recovery Act, emerged upon the financial marketplace, including Terre Haute First National Bank, October 1, 1981.



Individual depositors who invest in the tax-favored All Savers Certificates are entitled by the new law to exclude from their gross income, on a "lifetime basis," the first $1000 interest earned on these certificates. The limit on a joint return is $2000, but can be taken even if all of the $2000 is earned by one spouse.

Interest on the All Savers Certificates, which have a maturity period of one year, is 70 percent of the average yield on one-year Treasury bills at the most recent auction. The established rate is guaranteed for the full one-year term of the certificate.

Available for purchase through December 31, 1982, the All Savers Certificates may be issued in denominations of $500.

Enacted because the high rate of inflation and taxation of recent years had combined to discourage taxpayers from savings, the All Savers program is targeted to give retail depositors incentives to save, thus bringing short-term relief to financial institutions by reducing their cost of funds.

Banks and other financial institutions offering the tax-exempt certificate will have to allocate a portion of the proceeds from these instruments to "qualified" purposes, including 1) any agricultural loans; 2) new mortgages, home improvement loans; 3) net purchases of mortgage-backed securities; 4) net purchases of mortgages in the secondary market. The allocation rules apply to (1) 75 percent of the face amount of tax-exempt CDs issued in any calendar quarter, or (2) 75 percent of net savings inflow (excluding CDs over $100,000) for a quarter, whichever is less.

INDIVIDUAL RETIREMENT ACCOUNTS (IRAs)

The Economic Recovery Tax Act of 1981 significantly affected the history of Individual Retirement Accounts, created by the Employee Retirement Income Security Act of 1974.

Until the 1981 tax legislation, individual retirement accounts were only available to workers who did not participate in other qualified pension plans. But, as of January 1, 1982, IRA accounts were made available to all who earn compensation. In addition to expanding the eligibility requirements for IRA accounts, the new legislation increased contribution levels, dramatically increasing the marketability of the IRA account.

Wage earners may now contribute up to $2000 annually to an IRA plan. A breadwinner with a non-working spouse may increase that to $2250 if he or she also sets up an IRA in the partner's name. The spousal IRA can be divided in any manner as long as neither spouse is not allocated more than $2000. However, if husband and wife both work and each earns $2000 or more, each can have the full limit $2000 IRA.

A ten percent penalty tax, as well as income tax, will be levied against money taken from an IRA before the account holder reaches the age of 59½ years. However, the penalty does not apply in cases of permanent disability or death. If the IRA owner dies before age 59½, the account passes to a beneficiary who must be named at the time the account is opened.

When withdrawals do commence, any time after 59½ years of age, they are subject to regular income tax. Distribution must begin no later than the end of the year in which the individual reaches the age of 70½, and must be taken in sums calculated to exhaust the account by the actuarially predicted year of death.

Terre Haute First National Bank's IRA Plans reflect convenience, security, and flexibility. Not only is an IRA at Terre Haute First insured up to $100,000 by the FDIC, but account holders may choose from a fixed or variable rate IRA. Each rate is tied to the one-year treasury bill rate. The Bank also has available what is known as a 'trustee' IRA account, in which the Trust Department will invest IRA funds into various types of investments.

Directors

WALTER A. BLEDSOE
Investments

JOHN J. CLEARY
Retired

RICHARD E. CONRAD
Senior Vice President & Cashier

WILSON N. COX
Attorney at Law

WELBY M. FRANTZ
Business Consultant–Transportation Specialist

MAX GIBSON
President, Gibson Coal Company, Inc.

MARY FENDRICH HULMAN
Chairman of the Board, Hulman & Company

EDWARD B. IJAMS
Investments

RICHARD W. KELLY
Chairman, Bituminous Materials Co., Inc.

WILLIAM NIEMEYER
Director, Commercial Lovelace Motor Freight, Inc.

PATRICK O'LEARY
President, Terre Haute Concrete Supply Corp.

JOHN W. RAGLE
President, Graham Grain Co., Inc.

DONALD E. SMITH
President & Chief Executive Officer

HENRY P. SMITH
President, Deep Vein Coal Company

Official Organization

643-645 Wabash Avenue

DONALD W. SMITH
President and Chief Executive Officer

RICHARD E. CONRAD
Senior Vice President and Cashier

KING A. FASIG
Senior Vice President and Trust Officer

RAY G. INGRAM
Administrative Vice President

RAYMOND L. NORRIS
Vice President—Commercial Loans

JOHN W. PERRY
Vice President—Finance

MICHAEL A. CARTY
Controller

CARY W. SPARKS
Assistant Vice President and Trust Officer

JAMES R. BROWN
Trust Officer

ROBERT D. MARSH
Trust Officer

GRACE R. REDMAN
Assistant Vice President and Branch Manager

JANET MASTERS
Assistant Vice President—Commercial Loans

TERRELL A. WHITE
Assistant Vice President—Commercial Leasing

JERRY L. WILLIAMS
Assistant Vice President—Commercial Loans

ROBERT D. GIBBONS
Assistant Cashier and Customer Investment Officer

JOSEPH L. McDANIEL
Assistant Cashier and Assistant Trust Officer

FRANCES PERDIEU
Assistant Cashier and Assistant Branch Manager

MARTHA J. KELLEY
Assistant Cashier—Commercial Loans

ERMA DALE MATHIS
Assistant Cashier—Finance/Control

SCOTT A. McCULLOUGH
Assistant Cashier and Loan Review Officer—Commercial Loans

ALAN L. SACKRIDER
Assistant Cashier—Commercial Loans

ALEX F. KOSARKO JR.
Assistant Trust Officer

MARY ANN MURPHY
Commercial Leasing Officer

W. N. COX
Counsel

511-523 Wabash Avenue

JAMES E. BROWN
Senior Vice President—Mortgage Loans

VERNON M. COOK
Assistant Vice President—Mortgage Loans

DAVID E. ROGERS
Assistant Vice President—Mortgage Loans

JAMES A. WATKINS
Assistant Vice President—Mortgage Loans

WINNIE JO COCHRAN
Assistant Vice President and Branch Manager

DAVID P. ANSHUTZ
Assistant Cashier—Mortgage Loans

ALBERT R. MONNINGER
Assistant Cashier—Installment Loans

PETE J. PIAZZA
Assistant Cashier—Credit Cards

BERNARD N. CONRAD
Installment Loan Officer

Operations Center, 4500 Dixie Bee Road

STANLEY V. HART
Vice President—Operations

CHARLEY E. HENDRICKS
Vice President and Farm Manager

DON LOFTON
Vice President—Advertising and Public Relations

JERRALD L. TITUS
Vice President—Installment Loans

RICHARD O. WHITE
Vice President—Branch Administration

STEVEN A. THOMPSON
Auditor

WILLIAM B. ADAMS
Assistant Vice President—Installment Loans

JAMES H. CLAYTON
Assistant Vice President—Business Development

MARC BEESON
Assistant Vice President—Business Development

JOHN E. EVANS
Assistant Vice President—Operations

LARRY W. HOWARD
Assistant Vice President—Branch Administration

WILLIAM H. JEFFRIES
Assistant Vice President—Bookkeeping

WILLIAM G. O'ROURKE
Assistant Vice President—Operations

DEBORAH S. PIERCE
Assistant Vice President—Operations

FRED P. RUBEY
Assistant Vice President—Marketing

LAWRENCE W. SCHOPMEYER
Assistant Vice President—Collections

MERLE M. ALLEN
Assistant Cashier—Branch Administration

MARY JOYCE BROKAW
Assistant Cashier—Installment Loans

LELA COOPER
Assistant Cashier—Personnel Officer

MARK R. EWALD
Assistant Cashier and Assistant Manager—Bookkeeping Department

ANNA LOUISE FERRY
Assistant Cashier—Installment Loans

WILLIAM M. SIMS
Assistant Cashier—Installment Loans

NAN TURNER
Assistant Cashier—Branch Administration

RONALD B. WEAVER
Assistant Cashier—Installment Loans

DONALD F. BOVENSCHULTE
Security Officer

BOBBI ANN McPEAK
Public Relations Officer

PHILLIP G. WETZEL
Collection Officer

Maple Avenue:

MARYLOU HOFFMAN
Assistant Vice President & Branch Manager

Meadows Center:

MORRIS G. CRUMRIN
Assistant Vice President & Branch Manager

WILLIAM R. FARRIS
Assistant Cashier & Assistant Branch Manager

Plaza North:

DAVID BALLINGER
Assistant Vice President & Branch Manager

JEFFREY K. REDMAN
Assistant Cashier & Assistant Branch Manager

Seelyville:

MICHAEL F. HOLMES
Assistant Vice President & Branch Manager

Southland:

RONALD W. REAGAN
Assistant Vice President & Branch Manager

PHILIP R. GARRIGUS
Assistant Cashier & Assistant Branch Manager

Springhill Branch:

LELAND S. SUTHERLAND
Assistant Vice President & Branch Manager

NICHOLAS J. ANDERSON
Assistant Cashier & Assistant Branch Manager

West Terre Haute:

HAROLD V. ROST
Assistant Vice President & Branch Manager

DAVID L. JOHNSTON
Assistant Vice President & Assistant Branch Manager

Locations

Main Office
643 Wabash Avenue
Jerri Redman, *Manager*
Hours: 9 a.m.-3 p.m., Mon.-Wed.
9 a.m.-5 p.m., Thurs., Fri.

511 Wabash Avenue Branch
Jo Cochran, *Manager*
Hours: 9 a.m.-3 p.m., Mon.-Wed.
9 a.m.-5 p.m., Thurs., Fri.

Maple Avenue Branch
4065 Maple Avenue
Marylou Hoffman, *Manager*
Hours: 9 a.m.-3 p.m., Mon.-Wed.
9 a.m.-5 p.m., Thurs.
9 a.m.-7 p.m., Fri.

Meadows Center Branch
350 South 25th Street
Morris Crumrin, *Manager*
Hours: 9 a.m.-3 p.m., Mon.-Wed.
9 a.m.-5 p.m., Thurs.
9 a.m.-7 p.m., Fri.
*24-hour banking location

Plaza North Branch
Ft. Harrison Road and Lafayette Avenue
Dave Ballinger, *Manager*
Hours: 9 a.m.-3 p.m., Mon.-Wed.
9 a.m.-5 p.m., Thurs.
9 a.m.-7 p.m., Fri.
*24-hour banking available

Seelyville Branch
Seelyville, Indiana
Mike Holmes, *Manager*
Hours: 9 a.m.-3 p.m., Mon.-Wed.
9 a.m.-5 p.m., Thurs.
9 a.m.-7 p.m., Fri.

Southland Branch
7th Street and Margaret Avenue
Ron Reagan, *Manager*
Hours: 9 a.m.-3 p.m., Mon.-Wed.
9 a.m.-5 p.m., Thurs.
9 a.m.-7 p.m., Fri.

Springhill Branch
4500 Dixie Bee Road
Bob Sutherland, *Manager*
Hours: 9 a.m.-3 p.m., Mon.-Wed.
9 a.m.-5 p.m., Thurs.
9 a.m.-7 p.m., Fri.
*24-hour banking available

West Terre Haute Branch
309 West National Avenue
West Terre Haute, Indiana
Bud Rost, *Manager*
Hours: 9 a.m.-3 p.m., Mon.-Wed.
9 a.m.-5 p.m., Thurs.
9 a.m.-7 p.m., Fri.
*24-hour banking available

Services

Savings Services
The Earner
Certificates of Deposit
Individual Retirement Accounts (IRA)
U.S. Savings Bonds
Christmas Club Plan
Securities sold under Agreement to Repurchase
All Savers Certificates

Checking Services
The Organizer
Checking With Interest—NOW
The Economizer
The Provider
Cashier's Checks
Travelers' Checks
Money Orders
Overdraft Protection

Loan Services
Auto
Commercial
Farm
Home Improvement
Mortgage
Personal

Credit Cards
VISA

Convenience Services
FIRST PLUS 24-Hour Tellers
Drive-in Banking
Bank-by Mail
Safe Deposit Boxes
Night Depositories
Wire Transfer
Gold and Silver Sales
Free Parking While Banking
Notary Public
Special Organizational Services (SOS)

Commercial Services
Equipment Leasing
Auto Leasing
VISA, Merchant Services
Payroll Services

Trust Services
Estate Administration
Living Trusts
Trust Under Will
Professional Corporation Retirement Trusts
Property Custodianship
Escrow Agent
Investment Advisory Service
Cash Management Accounts
Pension and Profit Sharing Plans
Financial Advisory Services

TERRE HAUTE FIRST NATIONAL BANK

Banks + Banking (W.V.)

Annual Report 1982

GUERIN HALL ST. MARY-OF-THE-WOODS COLLEGE

FINANCIAL HIGHLIGHTS

FOR THE YEAR

	1982	1981	% Change
Operating Income	$ 49,138.178	$ 41,668,106	17.93
Operating Expenses	46,088,780	40,960,584	12.52
Income Before Security Losses	3,216,898	2,620,522	22.76
Net Income	3,005,989	2,518,425	19.36
Net Income Per Share	6.01	5.04*	19.36
Dividends Declared	800,000	810,000	(1.23)
Cash Dividends Paid Per Share	1.60	1.62*	(1.23)
Interest Paid Depositors	29,273,886	27,113,882	7.97

AT YEAR END

Assets	$433,827,543	$408,948,751	6.08
Deposits	365,351,597	338,832,759	7.83
Loans	176,082,811	180,238,483	(2.31)
Investments	115,743,823	106,775,451	8.40
Capital Funds	27,185,725	24,979,736	8.83
Number of Shares Outstanding	500,000	162,000	208.64
Book Value Per Share	54.37	49.96*	8.83
Number of Shareholders	391	370	5.68
Number of Officers and Employees (Full Time)	264	275	(4.00)

*Based on 500,000 Shares

About Our Cover:

The colorful tranquility of springtime at St. Mary-of-the-Woods College's Guerin Hall, as depicted by Indiana artist D. Omer Seamon, graces the cover of Terre Haute First National Bank's 1982 Annual Report.

Since the early 1800's, both St. Mary-of-the-Woods College and Terre Haute First National Bank have opened their doors to the Terre Haute community and beyond. The strength, tradition, and history exhibited in the graceful lines of Guerin Hall aptly portray its neighbor institution, Terre Haute First National Bank, founded upon those same pioneer principles.

To Our Shareholders, Our Customers, Our Friends:

The year 1982 was not easy for banks and banking. In an economy plagued with continued inflation and high interest rates, unemployment statistics which had formerly been represented by "just numbers," became our neighbors when several local businesses either laid off workers or closed their doors permanently. There seemed to be a general question in the air as to "what would happen next" in Terre Haute, as well as the rest of the State and country.

In spite of the severe recession, which lessened as the year unfolded, the Bank remained a constant friend to the community, upholding our word that people really do come First with us. Through "belt-tightening" and a variety of cost-cutting techniques, our management team was able to continue to offer you what we know best: the finest blend of customer service, teamed with expert financial know-how, in the Wabash Valley. We knew you would expect no less from Indiana's tenth largest bank (per deposit size), as we were named as of December 31, 1981.

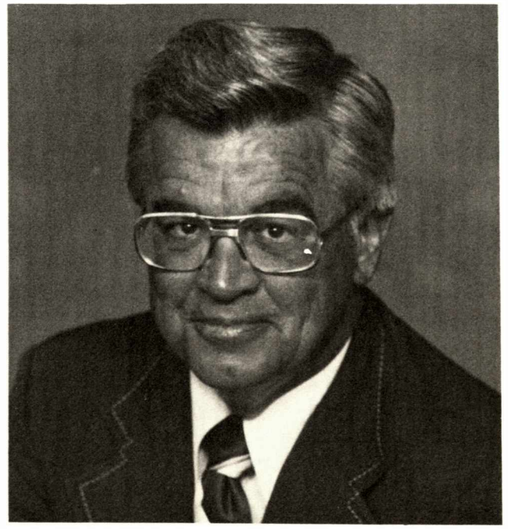
During the year we offered more seminars to members of the community and surrounding area than in any other period throughout Terre Haute First National Bank's 149-year history. It is our plan to help you find the right financial plan, be it a trust, individual retirement account, or other type of investment opportunity.

We announced the pending formation of a one-bank holding company, pending approval at our March shareholder's meeting. A one-bank holding company will provide the Bank with the needed flexibility to anticipate and react to the changes occuring in today's financial industry.

And, in 1982, we put a tenth branch banking center on the drawing board, combined with installation of a fifth automated teller unit. Our new Honey Creek Square Banking Center, which opened inside the Honey Creek Shopping Mall, has been built with your banking convenience in mind, while our FirstPlus automated teller machine, located in the southern portion of the Mall, rounds out our group of four additional such 24-hour banking units situated at prime locations throughout the Terre Haute area.

Customer services were further enhanced during the year through the development of three major products added to our "First Family" of banking services. As of January 1, 1982, individual retirement accounts (IRAs) were made available to all who earn compensation. Terre Haute First National Bank's IRAs reflect convenience, security, and flexibility, with account holders choosing between a fixed or variable rate IRA.

In December of 1982 the First Money Fund was introduced, offering customers an FDIC-insured investment account at competitive money market rates. That same month, plans were announced for the First Checking Fund, an interest-bearing checking account offering competitive money market rates and available as of January 5, 1983.



Terre Haute First National Bank President Donald E. Smith

Our belt-tightened, yet open-minded approach to meeting your banking needs has been successful. In 1982 assets reached $433,827,543, an increase of 6.08 percent over 1981. Also increasing over the previous year's figures were deposits, equalling $365,351,597 at year-end. Earnings surpassed the $2.5 million mark of 1981, reaching $3,005,989.

In addition, as of March 31, 1982, there was a stock dividend which increased the number of shares from 162,000 to 500,000. Such a stock dividend has not occured since 1973.

Our staff of officers was strengthened in 1982 when Barry Stuck, a certified public accountant, joined the Bank's internal audit department as assistant auditor.

We report the 1982 retirements of five Terre Haute First staff members: Frances Perdieu, formerly assistant cashier and assistant branch manager at our Main Office Banking Center; Joseph Heater, former employee of 511 Wabash Avenue Banking Center; Margaret Tichenor, Trust Department retiree; Carrie Price, retired from our Bookkeeping Department; and Lou Van Reed, former Mortgage Loan Department member. We salute these retirees who have donated a total of over 100 years of service to Terre Haute First National Bank

At the November meeting of the Board of Directors seven officers were advanced, while four employees were elected to the officer staff. Those officers receiving advancements were: James H. Clayton, appointed vice-president business development/personnel; Robert D. Gibbons, named trust investment officer; Albert R. Monninger, elected assistant vice president - installment loans; Pete J. Piazza, named assistant vice president - installment loans; Larry W. Howard, appointed assistant vice president - branch administration/security director; William R. Farris, appointed assistant vice president and branch manager, Honey Creek Square Banking Center; and Lela E. Cooper, elected assistant vice president - personnel.

New officers include: Wilma M. Roman, customer investment officer; Mary Patricia Scully, assistant cashier and assistant branch manager, Plaza North Banking Center; Josie Swalls, assistant cashier and assistant branch manager, Main Office Banking Center; and Nancy Cunningham, assistant cashier and assistant branch manger, Honey Creek Square Banking Center.

As 1983 unwinds, we look forward to serving you, our shareholders, our customers, and our friends, another year, approaching 150 years of continuous banking tradition as the Wabash Valley's progressive financial leader. We take this occasion to thank all of you for your support. It is deeply appreciated.

Respectfully,

Donald E. Smith

Donald E. Smith
President and Chief Executive Officer
Terre Haute First National Bank

STATEMENTS OF CONDITION

	December 31 1982	1981
ASSETS		
Cash and Due From Banks	$ 32,748,140	$ 31,056,566
Due From Banks—Interest Bearing	78,048,421	69,150,203
Federal Funds Sold and Securities Purchased Under Agreements To Resell	11,415,000	—
Investment Securities—Note B	115,743,823	106,775,451
Loans—Notes C and D	186,257,158	191,945,720
Unearned discount (deduction)	(10,174,347)	(11,707,237)
Allowance for possible loan losses (deduction)	(2,168,379)	(1,758,056)
	173,914,432	178,480,427
Direct and Leverage Lease Financing—Note E	7,784,435	8,019,905
Accrued Income Receivable	6,930,484	6,572,727
Other Real Estate	698,705	494,110
Premises and Equipment—Note F	5,438,148	5,353,722
Other Assets	1,105,955	3,045,640
	$433,827,543	$408,948,751
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits—Note G		
Demand	$ 62,792,495	$ 68,812,777
Savings	85,599,790	74,111,153
Time	216,959,312	195,908,829
	365,351,597	338,832,759
Short-Term Borrowings—Note H	34,943,407	38,677,319
Deferred Federal Income Taxes—Note I	1,635,436	1,960,503
Other Liabilities	4,711,378	4,498,434
TOTAL LIABILITIES	406,641,818	383,969,015
Shareholders' Equity—Note J		
Common Stock	5,000,000	3,240,000
Additional capital	9,260,000	9,260,000
Retained earnings	12,925,725	12,479,736
	27,185,725	24,979,736
Commitments—Note L		
	$433,827,543	$408,948,751

See notes to financial statements.

STATEMENTS OF INCOME

	Year Ended December31 1982	1981
INTEREST REVENUE		
Interest and fees on loans	$22,714,571	$23,008,339
Interest on investment securities:		
Taxable	8,715,399	6,941,781
Exempt from federal income taxes	2,282,839	2,838,900
	10,998,238	9,780,681
Interest on due from banks	10,793,310	3,959,058
Interest on federal funds sold and securities purchased under agreements to resell	1,326,585	2,482,305
Lease financing	936,343	784,934
	46,769,047	40,015,317
INTEREST EXPENSE		
Interest on savings deposits	4,052,958	3,802,033
Interest on time deposits—Note G	25,220,928	23,311,849
Interest on short-term borrowings—Note H	5,162,642	2,946,783
	34,436,528	30,060,665
NET INTEREST REVENUE	12,332,519	9,954,652
Provision for possible loan losses—Note D	620,000	603,000
NET INTEREST CONTRIBUTION	11,712,519	9,351,652
OTHER OPERATING REVENUE		
Trust department income	419,929	354,284
Service charges on deposit accounts	498,000	468,291
Other service charges and fees	865,609	643,288
Other income	585,593	186,926
	2,369,131	1,652,789
OPERATING EXPENSES		
Salaries	4,150,301	3,975,036
Pension and other employee benefits	1,121,954	948,939
Occupancy expense	770,072	669,556
Equipment expense	562,918	557,238
Data processing expense	926,802	905,301
Other expenses	3,500,205	3,240,849
	11,032,252	10,296,919
INCOME BEFORE FEDERAL INCOME TAX CREDIT AND SECURITY LOSSES	3,049,398	707,522
Federal income tax credit—Note I	167,500	1,913,000
INCOME BEFORE SECURITY LOSSES	3,216,898	2,620,522
Security losses, less applicable federal income tax credit: 1982, $176,500; 1981, $94,000	210,909	102,097
NET INCOME	$ 3,005,989	$2,518,425
Income (loss) per share of Comon Stock:		
Income before security losses	$ 6.43	$ 5.24
Security losses	(.42)	(.20)
Net income	$ 6.01	$ 5.04

See notes to financial statements.

STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Stock Shares	Amount	Additional Capital	Retained Earnings
Balances at January 1, 1981	162,000	$3,240,000	$9,260,000	$10,771,311
Additions (deductions):				
Net income	—	—	—	2,518,425
Cash dividends—$5.00 per share ($1.62 per share on a post-dividend basis-See Note J)	—	—	—	(810,000)
BALANCES AT DECEMBER 31, 1981	162,000	3,240,000	9,260,000	12,479,736
Additions (deductions):				
Net income	—	—	—	3,005,989
Stock dividend—Note J	338,000	1,760,000	—	(1,760,000)
Cash dividends—$1.60 per share	—	—	—	(800,000)
BALANCES AT DECEMBER 31, 1982	500,000	$5,000,000	$9,260,000	$12,925,725

See notes to financial statements.

STATEMENTS OF CHANGES IN FINANCIAL POSITION

	Year Ended December 31 1982	1981
SOURCE OF FUNDS		
Net Income	$ 3,005,989	$ 2,518,425
Charges (credits) to income not requiring current outlay of cash:		
Provision for depreciation	550,709	564,084
Provision for possible loan losses	620,000	603,000
Provision for deferred federal income taxes	(335,427)	180,172
Net amortization of premiums (accretion of discounts) on investment securities	(77,955)	50,987
TOTALS FROM OPERATIONS	3,763,316	3,916,668
Decrease in federal funds sold and securities purchased under agreements to resell	—	33,400,000
Decrease in loans	3,945,995	—
Decrease in direct and leveraged lease financing	239,366	—
Decrease in other assets	1,946,149	—
Increase in deposits	26,518,838	30,318,653
Increase in short-term borrowings	—	21,201,824
Increase in other liabilities	212,944	541,469
	$36,626,608	$89,378,614
APPLICATION OF FUNDS		
Increase in cash and due from banks	$ 1,691,574	$10,612,048
Increase in due from banks—interest bearing	8,898,218	60,092,848
Increase in federal funds sold and securities purchased under agreements to resell	11,415,000	—
Increase in investment securities	8,890,417	2,049,927
Increase in loans	—	10,706,643
Increase in direct and leveraged lease financing	—	804,198
Increase in accrued income receivable	357,757	2,112,830
Increase in other real estate	204,595	94,110
Additions to premises and equipment	635,135	808,372
Increase in other assets	—	1,287,638
Decrease in short-term borrowings	3,733,912	—
Cash dividends	800,000	810,000
	$36,626,608	$89,378,614

See notes to financial statements.

NOTE G—DEPOSITS

Deposits are summarized as follows:

	December 31 1982	1981
Demand deposits of individuals, partnerships and corporations	$ 55,633,529	$ 52,420,361
Time and savings deposits of individuals, partnerships and corporations	287,041,149	265,574,571
Deposits of United States Government	325,605	546,421
Deposits of States and political subdivisions	13,806,271	11,565,608
Deposits of commercial banks	6,961,263	7,257,440
Certified and official checks	1,583,780	1,468,358
TOTALS	$365,351,597	$338,832,759

Certificates of deposit which individually equal or exceed $100,000 aggregated approximately $51,253,000 and $46,441,000 at December 31, 1982 and 1981, respectively. Interest expense with respect to these certificates for the years ended December 31, 1982 and 1981 was approximately $5,745,000 and $6,974,000, respectively.

NOTE H—SHORT-TERM BORROWINGS

Short-term borrowings are summarized as follows:

	December 31 1982	1981
Federal funds purchased and securities sold under agreements to repurchase	$30,969,855	$37,889,887
Treasury Tax and Loan note option	3,973,552	787,432
	$34,943,407	$38,677,319
Weighted average interest rate at December 31:		
Federal funds purchased and securities sold under agreements to repurchase	9.2%	12.1%
Treasury Tax and Loan note option	10.0	12.7
Maximum outstanding at any month end:		
Federal funds purchased and securities sold under agreements to repurchase	$49,170,287	$37,889,886
Treasury Tax and Loan note option	5,845,611	2,390,761
For aggregate short-term borrowings:		
Daily average amount outstanding	41,316,900	20,397,508
Weighted average interest rate (actual interest expense divided by average amount outstanding)	12.5%	14.4%

Federal funds purchased and securities sold under agreements to repurchase generally mature within one to 180 days from the transaction date. The Treasury Tax and Loan note option borrowings are collateralized by investment securities and are reduced at the discretion of the United States Treasury.

NOTE I—FEDERAL INCOME TAXES

Federal income tax expense (credit) is summarized as follows:

	1982	1981
Current (recoverable)	$ 167,927	$(2,093,172)
Deferred	(335,427)	180,172
TOTALS	$(167,500)	$(1,913,000)
Deferred federal income tax expense results from the following:		
Bad debt deduction for financial reporting purposes less than (greater than) that provided for tax purposes	$(188,749)	$114,659
Operating method of accounting for direct and leveraged lease financing transactions for tax purposes	(127,597)	30,499
Accretions of securities not included for tax purposes	37,149	21,542
Current year investment tax credit carry forward recognized for financial reporting purposes	(40,255)	—
Other	15,975	13,472
TOTALS	$(335,427)	$180,172

A reconciliation of federal income tax expense (credit) with the amount computed by applying the statutory federal income tax rate to income before federal income taxes and security losses is summarized as follows:

	1982	1981
Federal income taxes computed at the statutory rate	$ 1,402,718	$ 325,460
Add (deduct) tax effect of:		
Nontaxable income from municipal securities, loans and leases	(1,590,441)	(2,106,581)
Investment tax credit	(43,640)	(70,269)
Other items	63,863	(61,610)
	(1,570,218)	(2,238,460)
TOTALS	$ (167,500)	$ (1,913,000)

NOTE J—SHAREHOLDERS' EQUITY

During 1982, the shareholders approved an increase in the Bank's authorized Common Stock from 162,000 shares to 750,000 shares; reduced the par value per share of Common Stock from $20 to $10; approved the issuance to existing shareholders of 2.08642 shares of Common Stock for each share outstanding; and approved the transfer of $1,760,000 from retained earnings to Common Stock.

NOTE K—EMPLOYEE RETIREMENT PLAN

The Bank has a noncontributory retirement plan covering approximately one-half of its employees. Expenses of the plan for the years ended December 31, 1982 and 1981 were approximately $421,000 and $330,000, respectively.

Accumulated plan benefit information, as estimated by consulting actuaries, and plan net assets as of January 1 (the latest valuation date) were:

	1982	1981
Actuarial present value of accumulated plan benefits:		
Vested	$2,774,952	$2,229,213
Nonvested	297,088	291,161
TOTALS	$3,072,040	$2,520,374
Net assets available for benefits	$3,229,333	$3,004,328

The assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 6%.

NOTE L—COMMITMENTS

The Bank is obligated under an electronic data processing service contract, expiring on January 31, 1986, which provides for minimum annual fees approximateing: 1983, $970,000; 1984, $1,047,000; 1985, $1,131,000 and 1986, $95,000.

Report of Ernst & Whinney—Independent Auditors

Shareholders and Board of Directors
Terre Haute First National Bank
Terre Haute, Indiana

We have examined the statements of condition of Terre Haute First National Bank as of December 31, 1982 and 1981, and the related statements of income, shareholders' equity and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Terre Haute First National Bank at December 31, 1982, and 1981, and the results of its operations and changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Indianapolis, Indiana
January 20, 1983

Ernst + Whinney

FIVE-YEAR COMPARATIVE SUMMARY (THOUSANDS)

STATEMENTS OF CONDITION	1982	1981	1980	1979	1978
ASSETS					
Cash and Due From Banks	$110,797	$100,207	$ 29,502	$ 23,199	$ 25,871
Federal Funds Sold	11,415	-0-	33,400	23,100	14,500
Investment Securities	115,744	106,775	104,777	87,081	69,186
Loans, Net of Unearned Discount	176,083	180,238	170,360	165,958	157,611
Less: Reserve for Loan Losses	(2,168)	(1,758)	(1,983)	(1,980)	(1,885)
Loans, Net	173,914	178,480	168,377	163,978	155,726
Other Assets	21,958	23,487	18,955	12,968	10,934
TOTAL ASSETS	$433,828	$408,949	$355,011	$310,326	$276,217
LIABILITIES					
Deposits					
Demand	$ 62,792	$ 68,813	$ 78,383	$ 76,134	$ 70,892
Savings and Time	302,559	270,020	230,131	192,746	180,364
TOTAL DEPOSITS	365,351	338,833	308,514	268,880	251,256
Short-Term Borrowings	34,943	38,677	17,475	15,514	3,338
Other Liabilities	6,348	6,459	5,751	4,903	3,217
TOTAL LIABILITIES	406,642	383,969	331,740	289,297	257,811
CAPITAL					
Common Stock	5,000	3,240	3,240	3,240	3,240
Additional Capital	9,260	9,260	9,260	9,260	9,260
Undivided Profits	12,926	12,480	10,771	8,529	5,906
TOTAL CAPITAL	27,186	24,980	23,271	21,029	18,406
TOTAL LIABILITIES & CAPITAL	$433,828	$408,949	$355,011	$310,326	$276,217
STATEMENTS OF INCOME					
Interest Revenue					
Interest and Fees on Loans	$ 22,715	$ 23,008	$ 19,403	$ 17,450	$ 14,646
Interest on Fed. Funds Sold	1,326	2,482	3,409	2,286	570
Interest on Securities	21,792	13,740	7,793	5,137	4,265
Lease Financing	936	785	423	207	141
TOTAL INTEREST REVENUE	46,769	40,015	31,028	25,080	19,622
Interest Expense					
Interest on Deposits	29,274	27,114	17,832	12,620	9,877
Interest on Short-Term Borrowings	5,163	2,947	1,834	1,277	182
TOTAL INTEREST EXPENSE	34,437	30,061	19,666	13,897	10,059
Net Interest Revenue	12,332	9,954	11,362	11,183	9,563
Provision for Loan Losses	620	603	430	470	505
NET INTEREST CONTRIBUTION	11,712	9,351	10,932	10,713	9,058
Other Income	2,369	1,653	1,513	1,473	1,358
	14,081	11,004	12,445	12,186	10,416
Other Expenses	11,032	10,297	9,205	8,129	7,167
Income Before Securities Gains (Losses)	3,049	707	3,241	4,057	3,249
Income Taxes (Credit)	(168)	(1,913)	16	705	525
Net Operating Income	3,217	2,620	3,225	3,352	2,724
Securities Gains (Losses) Net	(211)	(102)	(213)	-0-	(8)
NET INCOME	$ 3,006	$ 2,518	$ 3,011	$ 3,352	$ 2,716

TERRE HAUTE FIRST NATIONAL BANK: MEETING THE CHALLENGES OF A NEW BANKING ERA

Terre Haute First National Bank's long-time emphasis upon innovative service and product development was continued in 1982 with the implementation of a financial counselling program—Special Organizational Services (SOS); introduction of fixed and variable rate individual retirement accounts (IRAs); establishment of "First Money Fund," an investment savings account; and plans were announced for an investable checking fund, the "First Checking Fund." In addition, we installed an automated teller unit, FIRSTPLUS, inside the Honey Creek Square Shopping Mall, where, also during 1982, we started construction on our tenth full service banking center.

All of these additions enhance our fine "First Family" of services. Thanks to the dedication and teamwork of our staff of officers and employees, with the guidance of our directors, we will continue to offer you the best banking resources available in the Wabash Valley.

SPECIAL ORGANIZATIONAL SERVICES (SOS)

A common question which plagues those faced with retirement, death of a loved one, divorce, or re-marriage, is "Where do I start when I have to start all over again?"

Through Terre Haute First National Bank's Special Organizational Services (SOS) program, the answers may be closer than one realizes.

Introduced to the Terre Haute community in January, 1982, the free advisory service is offered to aid those in personal crisis and bridge the gap between trauma and organization. Toward that goal, the SOS program offers handy booklets to keep records of household items, wills, insurance policies, checking and savings accounts, investments, credit cards, loans, even burial instructions. And, the Bank's trained advisors are able to provide direction on gathering birth and marriage records, death certificates, and other information which is often difficult to gather in times of emotional crisis.

Used in 900 banks across the country, the SOS program has been well-embraced by the public.

FIRST CHECKING FUND

A "sister" account to the FIRST MONEY FUND, this account was also developed as part of a sweeping series of deregulatory moves stemming from the Garn-St. Germain Act. It was offered to customers as of January 5, 1983.

Requiring a minimum balance of $2500 and offering F D I C coverage up to $100,000 per each account, the FIRST CHECKING FUND allows unlimited transactions and earns the account holder competitive rates if balances are maintained at established levels.

FIRST MONEY FUND

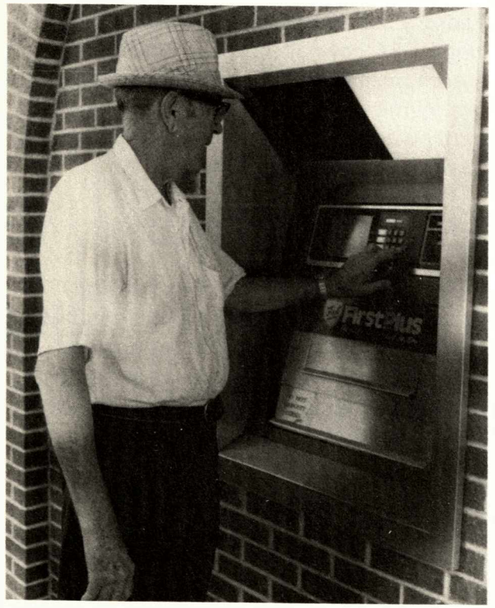
The FIRST MONEY FUND made its banking debut December 14, 1982 along with hundreds of bank money funds across the country and created as part of a sweeping series of industry deregulations mandated by the 1982 Garn-St. Germain Depository Institutions Act.

The federally-insured account, which offers those with at least $2500 to deposit, a chance to earn market rates of interest, while still having ready access to their money, has been heralded as one of the banking industry's most important innovations.

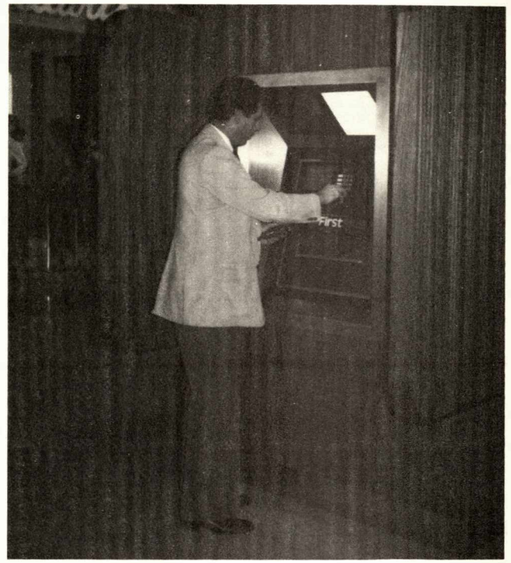
INDIVIDUAL RETIREMENT ACCOUNTS (IRAs)

As of January 1, 1982, IRA accounts were made available to all who earn compensation. Wage earners may contribute up to $2000 annually to such an account. Plus, a breadwinner with a non-working spouse may increase that to $2250 if he or she also sets up an IRA in the partner's name. This spousal IRA can be divided in any manner as long as either spouse is not allocated more than $2000. And, if husband and wife both work, each earning $2000 or more, each can have the full limit $2000 IRA.

At Terre Haute First, where each IRA is insured up to $100,000 by the FDIC, our individual retirement accounts reflect convenience, security, and flexibility. Account holders may choose from a fixed or variable rate IRA. Each rate is tied to the one-year treasury bill rate. The Bank also has what is known as a 'trusteed' IRA account, in which the Trust Department will place IRA funds into various types of investments.



FirstPlus, the Bank's 24-hour automated teller unit is located in five convenient locations across Vigo County.



In 1982 Terre Haute First National Bank installed FirstPlus in the southern portion of the Honey Creek Shopping Mall, offering shoppers banking convenience anytime—day or night.

FIRSTPLUS

The summer of 1982 marked installation of Terre Haute First National Bank's fifth automated teller machine with placement of FIRSTPLUS inside the southern portion of the Honey Creek Square Shopping Mall.

A unique feature of the new automated teller unit, which will offer numerous transaction capabilities, including utility bill payment and balance inquiries, is the Time-Temperature display located on two sides of the equipment.

In addition to the location of FIRSTPLUS at Honey Creek Square, the automated teller unit is in operation at Springhill Banking Center, 4500 Dixie Bee Road; West Terre Haute Banking Center, 309 National Avenue, West Terre Haute; Meadows Banking Center, 350 South 25th Street; and Plaza North Banking Center, Ft. Harrison Road and Lafayette Avenue.

The location of FIRSTPLUS in the Honey Creek Square Mall, combined with our new banking center, which opened its doors in the northern wing of the Mall in early 1983, truly make Terre Haute First National Bank synonymous with customer convenience.

Directors

WALTER A. BLEDSOE
Investments

JOHN J. CLEARY
Retired

RICHARD E. CONRAD
Senior Vice President & Cashier

WILSON N. COX
Attorney at Law

WELBY M. FRANTZ
Business Consultant—Transportation Specialist

MAX GIBSON
President, Gibson Coal Company, Inc.

MARY FENDRICH HULMAN
Chairman of the Board, Hulman & Company

EDWARD B. IJAMS
Investments

RICHARD W. KELLY
Chairman, Bituminous Materials Co., Inc.

WILLIAM NIEMEYER
President, Niemeyer Coal Company

PATRICK O'LEARY
President, Terre Haute Concrete Supply Corp.

JOHN W. RAGLE
President, Graham Grain Co., Inc.

DONALD E. SMITH
President & Chief Executive Officer

HENRY P. SMITH
President, Deep Vein Coal Company

Official Organization

Donald E. Smith—President & Chief Executive Officer
Richard E. Conrad—Senior Vice President & Cashier
James E. Brown—Senior Vice President
King A. Fasig—Senior Vice President & Trust Officer
Ray G. Ingram—Administrative Vice President
John W. Perry—Vice President-Finance
Stanley V. Hart—Vice President
Jerrald L. Titus—Vice President
Richard O. White—Vice President
Michael A. Carty—Controller & Auditor
James H. Clayton—Vice President-Business Development & Personnel Officer
Charley E. Hendricks—Vice President
Don Lofton—Vice President
Raymond L. Norris—Vice President
Cary W. Sparks—Assistant Vice President & Trust Officer
James R. Brown—Trust Officer
William B. Adams—Assistant Vice President
David B. Ballinger—Assistant Vice President & Branch Manager
Marc Beeson—Assistant Vice President
Winnie Jo Cochran—Assistant Vice President & Branch Manager
Vernon M. Cook—Assistant Vice President
Lela Cooper—Assistant Vice President-Personnel
Morris G. Crumrin—Assistant Vice President & Branch Manager
John D. Evans—Assistant Vice President-Operations
William R. Farris—Assistant Vice President & Branch Manager
William H. Jeffries—Assistant Vice President
Marylou Hoffman—Assistant Vice President & Branch Manager
Michael F. Holmes—Assistant Vice President & Branch Manager
Larry Howard—Assistant Vice President-Branch Administration/Security Director
David L. Johnston—Assistant Vice President
Janet L. Masters—Assistant Vice President
Albert R. Monninger—Assistant Vice President
William G. O'Rourke—Assistant Vice President
Pete J. Piazza—Assistant Vice President
Deborah S. Pierce—Assistant Vice President
Ronald W. Reagan—Assistant Vice President & Branch Manager
Grace R. Redman—Assistant Vice President & Branch Manager
David E. Rogers—Assistant Vice President
Harold V. Rost—Assistant Vice President & Branch Manager
Fred P. Rubey—Assistant Vice President
Lawrence R. Schopmeyer—Assistant Vice President
Leland S. Sutherland—Assistant Vice President & Branch Manager
James A. Watkins—Assistant Vice President
Terrell A. White—Assistant Vice President-Commercial Leasing
Jerry L. Williams—Assistant Vice President
Robert D. Gibbons—Trust Investment Officer
Barry Stuck—Assistant Auditor
Merle M. Allen—Assistant Cashier
Nicholas J. Anderson—Assistant Cashier
David P. Anshutz—Assistant Cashier
Nancy G. Cunningham—Assistant Cashier
Anna Louise Ferry—Assistant Cashier
Phillip R. Garrigus—Assistant Cashier
Martha J. Kelley—Assistant Cashier
Scott McCullough—Assistant Cashier & Loan Review Officer
Joseph L. McDaniel—Assistant Cashier & Assistant Trust Officer
Erma Dale Mathis—Assistant Cashier
Jeffrey K. Redman—Assistant Cashier
Alan L. Sackrider—Assistant Cashier
Mary Patricia Scully—Assistant Cashier
William M. Sims—Assistant Cashier
Josie Swalls—Assistant Cashier
Nan Turner—Assistant Cashier
Ronald B. Weaver—Assistant Cashier
Alex F. Kosarko, Jr.—Assistant Trust Officer
Wilma M. Roman—Customer Investment Officer
Mary Ann Murphy—Commercial Leasing Officer
Bernard N. Conrad—Installment Loan Officer
Bobbi Ann McPeak—Public Relations Officer
Phillip G. Wetzel—Collection Officer

BANKING CENTERS

Main Office 643-645 Wabash Avenue

Downtown 511 Wabash Avenue

Maple Avenue 4065 Maple Avenue

Meadows Center 350 South 25th Street
* 24-hour banking available

Plaza North Ft. Harrison Road and Lafayette Avenue
* 24-hour banking available

Seelyville Seelyville, Indiana

Southland 7th Street and Margaret Avenue

Springhill 4500 Dixie Bee Road
* 24-hour banking available

West Terre Haute 309 National Avenue
West Terre Haute, Indiana
* 24-hour banking available

Honey Creek Square Shopping Mall U.S. 41 South
* 24-hour banking available

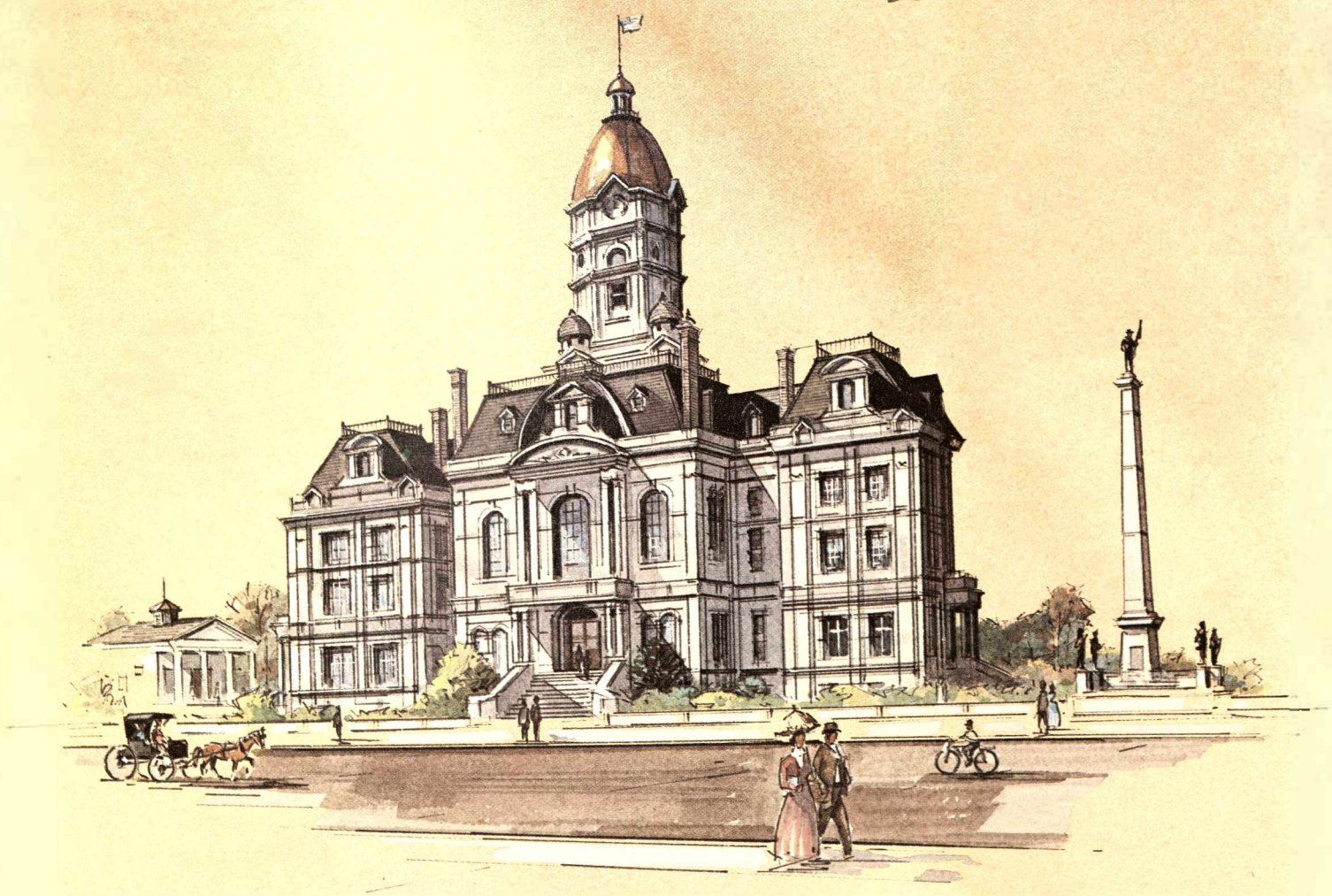
Terre Haute First National Bank
P.O. Box 540
Terre Haute, Indiana 47808
Member Federal Reserve System
Member FDIC

TERRE HAUTE FIRST CORPORATION

ANNUAL REPORT

Sesquicentennial Issue

1834 - 1984



About the Cover:

Our cover for this sesquicentennial edition of the Terre Haute First Corporation's annual report is in celebration of the Vigo County Courthouse's Centennial Anniversary.

The Second Empire (French neo-baroque) structure was designed by Cincinnati architect Samuel Hannaford. Another one of Hannaford's projects is the Hulman and Company building at Ninth and Wabash Avenue in downtown Terre Haute.

Built of Indiana limestone from the Stinesville quarry, the courthouse cost an estimated $443,000 and was officially opened on June 7, 1888. For 100 years the exterior of the building has undergone few changes. In 1957, three of the four stone exterior stairways were removed as well as some of the window glass. The glass was replaced with faddish glazed glass blocks that were popular in the '50's.

The most important features of the building remain unchanged. The 196 foot high dome, the slate-clad mansard roofs, the columned pavilions and the classically-detailed stone walls remain untouched. The Soldier's and Sailor's monument on the northeast corner of the square was constructed in 1909 to commemorate the "Patriotism and Valor" of the Vigo County soldiers and sailors who served in the Civil War.

In the back ground of the courthouse can be seen the Greek Revival structure that was home for the Terre Haute Branch of the Second State Bank of Indiana, the earliest ancestor of the Terre Haute First National Bank.

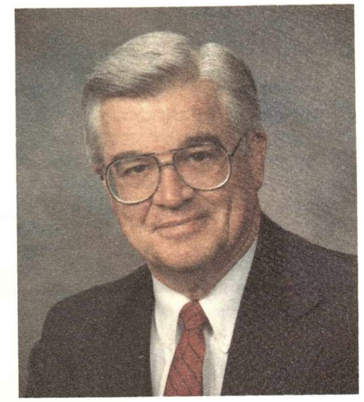
We proudly salute Vigo County, its commissioners and the Vigo County Historical Society for their efforts to preserve our Courthouse!

About the Artist:

D. Omer Seamon, Hoosier water color artist, has a rapport with his native state of Indiana with an insatiable appetite for work and finds fulfillment of both in the seclusion and brooding calm of a sequestered retreat where he has lived and worked for the past thirty years.

Mr. Seamon was born in Gibson County, Indiana in 1911. With a creative spark lit at an early age, he took a home study course from a school in Minneapolis, Minnesota. This study led to a job with Paramount Studios in that city and during the depression he returned to Terre Haute working as Art Director for a firm making twenty-four sheet posters. After twenty-three years with the firm and three and one-half years in the army during World War II he is a rare craftsman who excels in design and detail. Keenly interested in matters of precision and accurate depiction of details he says of painting itself, "A picture will never be painted better than it is drawn or better than the knowledge of the subject. A picture should be painted so that others understand and enjoy it."

To Our Shareholders, Our Customers, and the Business Community:



It is with great pride that we announce two major milestones were achieved during the 150th Anniversary of our financial institution. We ended the year above one-half billion dollars in Total Assets and had earnings in excess of four million dollars. The actual 1984 Total Assets were $524,082,357, an increase of 8.24% over 1983. Total Deposits were $462,679,241 which represents an increase of 14.25%. Earnings were at a record level of $4,026,769. This increase was 17.59% above the previous record earnings in 1983.

The enclosed financial statements are of the Holding Company and its subsidiaries, Terre Haute First National Bank and First State Bank. By all measures, 1984 was a landmark year, not only with record earnings, but also regarding our position as the area's financial leader.

On August 11th, 1984, Terre Haute First Corporation purchased People's State Bank of Clay County from the Federal Deposit Insurance Corporation. In keeping with our tradition of being a leader, this purchase made us the first multi-bank holding company in the state of Indiana to cross county lines. A decision by the Board of Directors was made to keep the purchased bank as a state chartered institution, calling it First State Bank with offices in Brazil and Poland, Indiana.

Our continued dedication to future growth and development was demonstrated by the purchase of the Woolworth Building at 6½ and Wabash in October of 1984. Also, in that same month, our Board of Directors agreed to a feasibility study for future construction of a new bank building for downtown Terre Haute, with the option of offering office space to Terre Haute businesses. In keeping with our commitment to downtown Terre Haute's renovation of historic buildings, the Main Office received a facelift on the west exterior wall. Our Southland Banking Center also underwent interior remodeling.

Looking to the future of the Wabash Valley, Terre Haute First National Bank made available to Sullivan State Bank customers the use of our FirstPlus 24-Hour Banking Machines. This action allows customers from the Sullivan area more banking flexibility provided by Terre Haute First. Customer services also expanded through the year with the development of our Payment Shaver Plan. This added service provides Terre Haute First clients with another automobile financing alternative.

As part of our investment into the community, electronic scoreboards were donated by the Bank to Indiana State University for promotion of local events. One outside marquee sign was placed in front of Hulman Center, and two computerized scoreboards were placed inside. In cooperation with Coca-Cola, Terre Haute First also participated in the funding for a new electronic scoreboard for Indiana State's Memorial Stadium.

Our achievements in 1984 were due to the commitment, ability and strength of our staff of 300. Top performance resulted in fourteen promotions. Named as Senior Vice Presidents were Ray G. Ingram and John W. Perry; Michael A. Carty advanced to Vice President-Controller; Mary Ann Murphy was named Assistant Vice President-Commercial Leasing; Leland S. "Bob" Sutherland, Harold V. Rost, and Morris G. Crumrin all advanced to Vice Presidents and Banking Center Managers; Josie Swalls was named Assistant Cashier and Banking Center Manager; Tina M. Ryan and Donna G. Ellinger advanced to Assistant Cashiers and Assistant Banking Center Managers. Kathryn Sue Beard was named Commercial Leasing Officer, Gayle E. Pettit advanced to Assistant Cashier and Assistant Security Officer, and Sook-Ja Lee and James A. Cheek were named as Assistant Cashiers.

Along with the promotions, the Bank reports the 1984 retirement of four Terre Haute First staff members: King Fasig, Jane Washburn, Jerri Redman and Ruth Goodwin.

As we look ahead in 1985, our management and staff believe that the fundamental values running through our history will continue to serve as a framework for the success of Terre Haute First Corporation in decades ahead. We are proud of our local heritage, and will continue our commitment to banking excellence.

Thank you for your continued support.

Donald E. Smith

Donald E. Smith
President and Chief Executive Officer

FINANCIAL HIGHLIGHTS

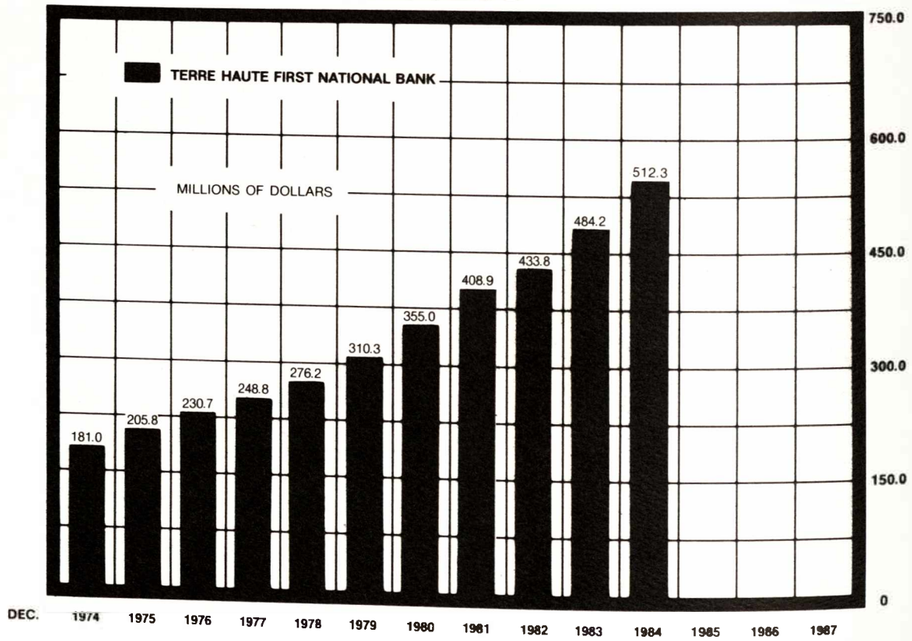
FOR THE YEAR

	1984	1983	% Change
Operating Income	$ 52,517,466	$ 47,375,277	10.85%
Operating Expenses	47,880,697	43,418,216	10.28
Net Income	4,026,769	3,424,310	17.59
Net Income Per Share	8.18	6.87	19.07
Dividends Declared	882,936	896,362	(1.50)
Cash Dividends Paid per Share	1.80	1.80	—
Interest Paid Depositors	32,122,503	27,871,991	15.25

AT YEAR END

Assets	$524,082,357	$484,181,286	8.24
Deposits	462,679,241	404,971,338	14.25
Loans	266,530,077	231,539,565	15.11
Investments	161,682,909	150,521,818	7.41
Capital Funds	32,317,502	29,547,547	9.37
Number of Shares Outstanding	486,588	495,958	(1.89)
Book Value Per Share	66.42	59.58	11.48
Number of Shareholders	392	394	(.51)
Number of Officers and Employees (Full Time)	274	265	3.40

ASSETS



Terre Haute First National Bank is proud to announce that we have reached our goal of becoming the Wabash Valley's first HALF-A-BILLION-DOLLAR BANK. The chart here shows our growth in assets over the past ten years.

CONSOLIDATED STATEMENTS OF CONDITION

	December 31, 1984	1983
ASSETS		
Cash and due from banks	$ 40,144,417	$34,237,402
Interest-bearing deposits with other banks	33,798,978	22,178,347
Federal funds sold and securities purchased under agreements to resell	5,775,000	32,485,000
Investment securities (market value of $160,076,789 for 1984 and $146,660,574 for 1983)	161,682,909	150,521,818
Loans:		
Commercial, financial and agricultural	107,040,752	89,746,038
Real estate—construction	3,759,593	2,244,795
Real estate—mortgage	96,759,103	85,880,468
Installment	58,223,416	55,411,528
Lease financing	11,822,222	8,905,044
	277,605,086	242,187,873
Less: Unearned income	(11,075,009)	(10,648,308)
Allowance for loan losses	(2,262,729)	(1,957,377)
	264,267,348	229,582,188
Accrued interest receivable	8,650,899	8,046,174
Premises and equipment	6,175,346	5,645,189
Other assets	3,587,460	1,485,168
TOTAL ASSETS	$524,082,357	$484,181,286
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Noninterest bearing	$ 79,840,944	$ 62,845,631
Interest bearing:		
Certificates of deposit of $100,000 or more	76,803,025	59,831,551
Other interest bearing deposits	306,035,272	282,294,156
	462,679,241	404,971,338
Short-term borrowings:		
Federal funds purchased and securities sold under agreements to repurchase	17,642,605	40,039,747
Treasury tax and loan open-end note	2,802,233	2,418,848
Note payable—bank	1,600,000	—
	22,044,838	42,458,595
Deferred federal income taxes	2,015,176	1,624,357
Other liabilities	5,025,600	5,579,449
TOTAL LIABILITIES	491,764,855	454,633,739
Commitments		
Shareholders' equity:		
Common stock, no par value; authorized 750,000 shares, issued 500,000 shares including treasury shares of 13,412 for 1984 and 4,042 shares for 1983	500,000	500,000
Additional capital	13,760,000	13,760,000
Retained earnings	18,597,506	15,453,673
Less treasury shares at cost	(540,004)	(166,126)
TOTAL SHAREHOLDERS' EQUITY	32,317,502	29,547,547
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$524,082,357	$484,181,286

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31, 1984	1983	1982
INTEREST INCOME:			
Loans, including fees	$29,379,834	$25,263,016	$25,964,686
Investment securities:			
Taxable	14,271,699	11,470,789	8,715,399
Tax-exempt	2,109,586	2,046,780	2,282,839
	16,381,285	13,517,569	10,998,238
Other interest income	4,382,681	6,416,214	9,806,123
TOTAL INTEREST INCOME	50,143,800	45,196,799	46,769,047
INTEREST EXPENSE:			
Deposits	32,122,503	27,871,991	29,273,886
Short-term borrowings	2,135,019	3,078,402	5,162,642
TOTAL INTEREST EXPENSE	34,257,522	30,950,393	34,436,528
NET INTEREST INCOME	15,886,278	14,246,406	12,332,519
Provision for possible loan losses	794,000	650,000	620,000
NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN LOSSES	15,092,278	13,596,406	11,712,519
OTHER INCOME:			
Trust department income	448,423	444,499	419,929
Service charges on deposit accounts	546,725	530,634	498,000
Other service charges and fees	1,047,517	1,020,929	865,609
Investment securities gains (losses)	117,379	(27,751)	(387,409)
Other	213,622	182,416	585,593
	2,373,666	2,150,727	1,981,722
OTHER EXPENSES:			
Salaries and employee benefits	6,102,995	5,691,368	5,272,255
Occupancy expense	906,944	805,041	770,072
Equipment expense	687,964	608,205	562,918
Data processing expense	1,121,354	1,008,873	926,802
Intangibles tax	585,992	550,930	530,522
Other	3,423,926	3,153,406	2,969,683
	12,829,175	11,817,823	11,032,252
INCOME BEFORE FEDERAL INCOME TAXES	4,636,769	3,929,310	2,661,989
Federal income tax expense (credit)	610,000	505,000	(344,000)
NET INCOME	$ 4,026,769	$ 3,424,310	$ 3,005,989
Net income per share (based on weighted average number of shares outstanding)	$ 8.18	$ 6.87	$ 6.01

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Stock	Additional Capital	Retained Earnings	Treasury Stock	Total
Balance, January 1, 1982	$500,000	$13,760,000	$10,719,736	$ —	$24,979,736
Net income	—	—	3,005,989	—	3,005,989
Cash dividends-$1.60 per share	—	—	(800,000)	—	(800,000)
Balance, December 31, 1982	500,000	13,760,000	12,925,725	—	27,185,725
Purchase of 4,042 shares of common stock for treasury	—	—	—	(166,126)	(166,126)
Net income	—	—	3,424,310	—	3,424,310
Cash dividends-$1.80 per share	—	—	(896,362)	—	(896,362)
Balance, December 31, 1983	500,000	13,760,000	15,453,673	(166,126)	29,547,547
Purchase of 9,370 shares of common stock for treasury	—	—	—	(373,878)	(373,878)
Net income	—	—	4,026,769	—	4,026,769
Cash dividends-$1.80 per share	—	—	(882,936)	—	(882,936)
Balance, December 31, 1984	$500,000	$13,760,000	$18,597,506	$(540,004)	$32,317,502

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

	Year ended December 31, 1984	1983	1982
SOURCE OF FUNDS:			
Net income	$ 4,026,769	$ 3,424,310	$ 3,005,989
Charges (credits) to income not requiring current outlay of funds:			
Provision for depreciation	645,338	578,934	550,709
Provision for possible loan losses	794,000	650,000	620,000
Provision for deferred federal income taxes	315,605	(37,950)	(335,427)
Net accretion of discounts on investment securities	(334,679)	(456,435)	(77,955)
TOTAL FROM OPERATIONS	5,447,033	4,158,859	3,763,316
Decrease in:			
Interest-bearing deposits with other banks	—	27,624,135	9,213,434
Federal funds sold and securities purchased under agreements to resell	26,710,000	—	—
Increase in:			
Deposits	57,707,903	39,619,741	26,518,838
Short-term borrowings	—	7,515,188	—
	$89,864,936	$78,917,923	$39,495,588
APPLICATION OF FUNDS:			
Increase in:			
Cash and due from banks	$ 5,907,015	$ 1,489,262	$ 1,691,574
Interest-bearing deposits with other banks	11,620,631	—	—
Federal funds sold and securities purchased under agreements to resell	—	21,070,000	11,415,000
Investment securities	10,826,412	34,321,560	8,890,417
Loans	35,479,160	20,266,026	13,926,291
Accrued income receivable	604,725	1,115,690	357,757
Other assets	2,102,292	(148,007)	(1,741,554)
Decrease in:			
Short-term borrowings	20,413,757	—	3,733,912
Other liabilities	478,635	(868,071)	(212,944)
Additions to premises and equipment	1,175,495	608,975	635,135
Cash dividends	882,936	896,362	800,000
Purchase of treasury stock	373,878	166,126	—
	$89,864,936	$78,917,923	$39,495,588

The accompanying notes are an integral part of the financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES:

Organization: The consolidated financial statements of Terre Haute First Corporation and its subsidiaries (the Corporation) include the accounts of the parent company and its wholly-owned subsidiaries, Terre Haute First National Bank (First National) and First State Bank in Clay County, Indiana (First State). The Corporation provides banking services to the domestic market. All significant intercompany balances and transactions have been eliminated.

In May 1983, the Corporation issued 500,000 shares of common stock in exhange for all the outstanding common stock of First National. The acquisition was accounted for as a pooling of interest transactions. The Corporation had no operations prior to 1983, therefore, the consolidated net income of the Corporation for the year ended December 31, 1982 is the same as that previously reported for First National.

In August 1984, the parent company formed a new wholly-owned bank subsidiary, First State. The new subsidiary subsequently purchased certain assets totaling approximately $11,400,000 and assumed the deposit liabilities of approximately $12,200,000 of another bank under an agreement with the Federal Deposit Insurance Corporation.

Investment Securities: Investment securities are stated at cost adjusted for amortization of premium and accretion of discount. Gains and losses on the sale of investment securities are based on the adjusted cost of the specific security.

Loans: Interest income on commercial and mortgage loans is recorded as earned. Interest income on installment loans is recorded principally by the sum-of-the-months-digits method. Accrual of interest is suspended for those loans where serious doubt exists as to collectibility.

Allowance for Loan Losses: The allowance for loan losses is maintained at a level considered adequate to provide for potential loan losses and is based on management's evaluation of potential losses in the loan portfolio, as well as prevailing and anticipated economic conditions.

Lease Financing: First National provides equipment financing to customers through a variety of lease arrangements. Direct and leveraged financing leases are carried at the aggregate of lease payments receivable plus estimated residual values. Unearned income on direct and leveraged financing leases is amortized over the lease terms resulting in an approximately level rate of return.

Premises and Equipment: Premises and equipment are recorded on the basis of cost less accumulated depreciation. The provision for depreciation is computed by the declining-balance and straight-line methods over the estimated useful lives of the assets. Any gain or loss on the retirement of assets, which was not significant in 1984, 1983 or 1982, is recognized currently.

Federal Income Taxes: Federal income taxes are deferred for timing differences between pre-tax accounting income and taxable income. The investment tax credit resulting from expenditures for premises and equipment purchased for the Corporation's own use is recognized using the flow-through method by reducing federal income tax in the year the asset is placed in service. The investment tax credit relating to assets owned and leased to others is deferred and amortized over the lease term.

Employee Retirement Plan: Expenses of the Corporation's pension plan are funded currently and computed actuarially to include normal costs and amortization of prior service costs over ten years.

Reclassifications: Certain amounts in the 1983 and 1982 financial statements have been reclassified to conform with the 1984 presentation.

2. RESTRICTIONS ON CASH AND DUE FROM BANKS:

First National is required to maintain average reserve balances with the Federal Reserve Bank. The amount of those reserve balances for the period including December 31, 1984 was approximately $8,371,000.

3. INVESTMENT SECURITIES:

Investment securities are summarized as follows:

	December 31,			
	1984		1983	
	Carrying Amount	Market Price	Carrying Amount	Market Price
United States Government	$ 66,512,065	$ 67,283,040	$ 70,229,392	$ 69,853,304
United States Government agencies	25,730,934	26,339,053	23,978,345	24,236,875
State and municipal	33,325,465	30,236,865	33,480,627	29,836,069
Corporate bonds	36,114,445	36,217,831	22,833,454	22,734,326
TOTAL	$161,682,909	$160,076,789	$150,521,818	$146,660,574

Investment securities amounting to approximately $32,540,000 at December 31, 1984 were pledged as collateral for borrowings and for other purposes.

4. LOANS:

In the normal course of business, First National has granted loans to certain directors and executive officers of the Corporation and to their associates. These related party loans are, in the opinion of management, made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated persons and do not involve more than the normal risk of collectibility. In 1984 the aggregate dollar amount of these loans related to directors and executive officers who held office at the end of the year amounted to $7,354,937 at the beginning of the year. During 1984, advances of $17,001,651 and repayments of $15,451,040 were made with respect to related party loans for an aggregate dollar amount of $8,905,548 at December 31, 1984. The amount of such loans aggregated $7,005,212 at December 31, 1983.

At December 31, 1984, the Corporation had standby letters of credit outstanding of approximately $6,122,000.

5. ALLOWANCE FOR LOAN LOSSES:

Changes in the allowance for loan losses are summarized as follows:

	1984	1983	1982
Balance at beginning of year	$1,957,377	$ 2,168,379	$1,758,056
Provision for loan losses	794,000	650,000	620,000
Recoveries of loans previously charged off	454,762	193,966	299,749
Loans charged off	(943,410)	(1,054,968)	(509,426)
Balance at end of year	$2,262,729	$ 1,957,377	$2,168,379

6. PREMISES AND EQUIPMENT:

Premises and equipment are summarized as follows:

	December 31,	
	1984	1983
Land	$ 1,789,203	$ 1,503,868
Building and leasehold improvements	4,955,515	4,662,943
Furniture and equipment	4,562,311	3,908,791
	11,307,029	10,075,602
Less accumulated depreciation	5,131,683	4,430,413
TOTAL	$ 6,175,346	$ 5,645,189

7. FEDERAL INCOME TAXES:

Federal income tax expense (credit) is summarized as follows:

	1984	1983	1982
Current (recoverable)	$ 294,395	$ 542,950	$ (8,573)
Deferred	315,605	(37,950)	(335,427)
TOTAL	$ 610,000	$ 505,000	$(344,000)

Timing differences in the recognition of revenue and expense for tax and financial reporting purposes resulted in deferred income taxes as follows:

	1984	1983	1982
Provision for loan losses	$(134,237)	$ 97,061	$(188,749)
Lease financing	305,796	(191,571)	(127,597)
Accretion of discount on investment securities	(19,343)	(86,869)	37,149
Other	163,389	143,429	(56,230)
TOTAL	$ 315,605	$ (37,950)	$(335,427)

The reconciliation of federal income tax expense (credit) with the amount computed by applying the statutory federal income tax rate to income before federal income taxes is summarized as follows:

	1984	1983	1982
Federal income taxes computed at the statutory rate	$ 2,132,914	$ 1,807,482	$ 1,224,515
Add (deduct) tax effect of:			
Nontaxable income from tax-exempt securities and loans	(1,405,299)	(1,261,510)	(1,590,441)
Investment tax credit	(70,578)	(48,761)	(43,640)
Other items, net	(47,037)	7,789	65,566
	(1,522,914)	(1,302,482)	(1,568,515)
Total	$ 610,000	$ 505,000	$ (344,000)

8. DIVIDEND LIMITATION:

At December 31, 1984 approximately $5,058,000 of undistributed earnings of First National, included in consolidated retained earnings, were available for distribution to the parent company as dividends without regulatory approval.

9. EMPLOYEE RETIREMENT PLAN:

The Corporation has a noncontributory retirement plan covering approximately one-half of its employees. Expenses of the plan for the years ended December 31, 1984, 1983 and 1982 were approximately $455,000, $423,000 and $421,000 respectively.

Accumulated plan benefit information, as estimated by consulting actuaries, and plan net assets as of January 1 (the latest valuation date) are summarized as follows:

	1984	1983
Actuarial present value of accumulated plan benefits:		
Vested	$3,801,570	$3,101,332
Nonvested	339,220	313,045
Total	$4,140,790	$3,414,377
Net assets available for benefits	$5,030,032	$4,229,132

The assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 6%.

10. COMMITMENTS:

First National is obligated under an electronic data processing service contract, expiring on January 31, 1986, which provides for minimum annual fees approximating $1,131,000 for 1985 and $95,000 for 1986.

11. PARENT COMPANY CONDENSED FINANCIAL STATEMENTS:

The parent company's condensed statements of conditions as of December 31, 1984 and 1983, and the related condensed statements of income and changes in financial position for the three years in the period ended December 31, 1984 are as follows:

STATEMENTS OF CONDITION

	December 31, 1984	1983
ASSETS		
Cash on deposit with First National*	$ 91,929	$ 36,595
Dividends receivable First National*	500,000	450,000
Investment in First National	32,121,128	29,497,845
Investment in First State	1,614,312	—
Other	52,812	9,516
	$34,380,181	$29,993,956
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Note payable—bank	$ 1,600,000	$ —
Dividends payable	437,929	446,362
Other	24,750	47
TOTAL LIABILITIES	2,062,679	446,409
Shareholders' equity:		
Common stock, no par value:		
Authorized 750,000 shares; issued 500,000 shares including treasury shares of 13,412 for 1984 and 4,042 shares for 1983	500,000	500,000
Additional capital	13,760,000	13,760,000
Retained earnings	18,597,506	15,453,673
Cost of common stock in treasury	(540,004)	(166,126)
TOTAL SHAREHOLDERS' EQUITY	32,317,502	29,547,547
	$34,380,181	$29,993,956

*Eliminated in consolidation

STATEMENTS OF INCOME AND RETAINED EARNINGS

	Year ended December 31, 1984	1983	1982
Income:			
Dividends from First National*	$ 1,450,000	$ 1,130,000	$ 800,000
Other income	—	1,675	—
TOTAL INCOME	1,450,000	1,131,675	800,000
Expenses:			
Interest on short-term borrowings	77,905	2,100	—
Other operating expenses	16,216	17,385	—
Total operating expenses	94,121	19,485	—
Income before income taxes and equity in undistributed earnings of bank subsidiaries	1,355,879	1,112,190	800,000
Federal income tax credit	43,296	—	—
Income before equity in undistributed earnings of bank subsidiaries	1,399,175	1,112,190	800,000
Equity in undistributed earnings of bank subsidiaries	2,627,594	2,312,120	2,205,989
NET INCOME	4,026,769	3,424,310	3,005,989
Retained earnings at beginning of year	15,453,673	12,925,725	10,719,736
	19,480,442	16,350,035	13,725,725
Cash dividends	882,936	896,362	800,000
Retained earnings at end of year	$18,597,506	$15,453,673	$12,925,725

*Eliminated in consolidation

STATEMENTS OF CHANGES IN FINANCIAL POSITION

	Year ended December 31, 1984	1983	1982
Source of funds:			
Net income	$4,026,769	$3,424,310	$3,005,989
Equity in undistributed net income of bank subsidiaries	2,627,594	2,312,120	2,205,989
TOTAL FROM OPERATIONS	1,399,175	1,112,190	800,000
Decrease in dividends receivable from First National	—	—	5,000
Proceeds from short-term borrowings	1,600,000	240,000	—
Increase in liabilities	16,270	46,409	—
	$3,015,445	$1,398,599	$ 805,000
Application of funds:			
Increase in cash	$ 55,334	$ 36,595	$ —
Increase in dividends receivable from First National	50,000	50,000	—
Increase in other assets	43,296	9,516	—
Payments on short-term borrowings	—	240,000	—
Decrease in liabilities	—	—	5,000
Investment in First State	1,610,001	—	—
Cash dividends	882,936	896,362	800,000
Purchase of treasury stock	373,878	166,126	—
	$3,015,445	$1,398,599	$ 805,000

Report of Coopers & Lybrand—Certified Public Accountants

To The Shareholders and Board of Directors
Terre Haute First Corporation

We have examined the consolidated statements of condition of Terre Haute First Corporation and subsidiaries as of December 31, 1984, and the related consolidated statements of income, shareholders' equity and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The financial statements of Terre Haute First Corporation and subsidiaries for the years ended December 31, 1983 and 1982 were examined by other auditors, whose report, dated January 20, 1984 expressed an unqualified opinion on those statements.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Terre Haute First Corporation and subsidiaries as of December 31, 1984, and the consolidated results of their operations and changes in their financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Coopers & Lybrand

Indianapolis, Indiana
January 24, 1985

FIVE-YEAR COMPARATIVE SUMMARY (THOUSANDS)

STATEMENTS OF CONDITION

	1984	1983	1982	1981	1980
ASSETS					
Cash and Due From Banks— Interest Bearing	$ 73,943	$ 56,416	$ 82,551	$100,207	$ 29,502
Federal Funds Sold	5,775	32,485	11,415	–0–	33,400
Investment Securities	161,683	150,522	115,744	106,775	104,777
Loans, Net of Unearned Discount	266,530	231,539	212,113	188,258	177,580
Less: Reserve for Loan Losses	(2,263)	(1,957)	(2,168)	(1,758)	(1,983)
Loans, Net	264,267	229,582	209,945	186,500	175,597
Other Assets	18,414	15,177	14,173	15,467	11,735
TOTAL ASSETS	$524,082	$484,182	$433,828	$408,949	$355,011
LIABILITIES					
Deposits					
Demand	$ 79,841	$ 62,845	$ 63,697	$ 68,813	$ 78,383
Savings and Time	382,838	342,126	301,654	270,020	230,131
TOTAL DEPOSITS	462,679	404,971	365,351	338,833	308,514
Short-Term Borrowings	22,045	42,459	34,943	38,677	17,475
Other Liabilities	7,041	7,203	6,348	6,459	5,751
TOTAL LIABILITIES	491,765	454,634	406,642	383,969	331,740
CAPITAL					
Common Stock	500	500	5,000	3,240	3,240
Additional Capital	13,760	13,760	9,260	9,260	9,260
Undivided Profits	18,597	15,454	12,926	12,480	10,771
Less: Treasury Stock	(540)	(166)	–0–	–0–	–0–
TOTAL CAPITAL	32,317	29,548	27,186	24,980	23,271
TOTAL LIABILITIES & CAPITAL	$524,082	$484,182	$433,828	$408,949	$355,011
STATEMENTS OF INCOME					
Interest Income					
Interest & Fees on Loans	$ 29,380	$ 25,263	$ 25,965	$ 25,390	$ 19,826
Interest on Fed. Funds Sold	1,354	2,249	1,326	2,482	3,409
Interest on Securities	19,410	17,685	19,478	12,143	7,793
TOTAL INTEREST INCOME	50,144	45,197	46,769	40,015	31,028
Interest Expense					
Interest on Deposits	32,122	27,872	29,274	27,114	17,832
Interest on Short-Term Borrowings	2,135	3,078	5,163	2,947	1,834
TOTAL INTEREST EXPENSE	34,257	30,950	34,437	30,061	19,666
Net Interest Income	15,886	14,246	12,332	9,954	11,362
Provision for Loan Losses	794	650	620	603	430
NET INTEREST CONTRIBUTION	15,092	13,596	11,712	9,351	10,932
Other Income	2,374	2,151	1,982	1,457	1,300
	17,466	15,747	13,694	10,808	12,232
Other Expenses	12,829	11,818	11,032	10,297	9,205
Income Before Federal Taxes	4,637	3,929	2,662	511	3,027
Income Taxes (Credit)	610	505	(344)	(2,007)	16
NET INCOME	$ 4,027	$ 3,424	$ 3,006	$ 2,518	$ 3,011

Board of Directors
Terre Haute First Corporation
Terre Haute First National Bank

Standing (left to right): Max Gibson, President, Jamax Corporation; Walter A. Bledsoe, Investments; John W. Ragle, President, Graham Grain Company; William Niemeyer, President, Niemeyer Coal Company; Richard W. Kelly, Chairman of the Board, Wabash Valley Asphalt Company, Incorporated; Welby M. Frantz, Business Consultant—Transportation Specialist; Patrick O'Leary, President, West Central Indiana Concrete Supply Corporation; and Richard E. Conrad, Senior Vice President and Cashier, Terre Haute First National Bank. Seated (left to right): Edward B. Ijams, Investments; Mary Fendrich Hulman, Chairman of the Board, Hulman and Company; Donald E. Smith, President and Chief Executive Officer, Terre Haute First National Bank; John J. Cleary, Retired; Wilson N. Cox, Attorney at Law; and Henry P. Smith, President, Deep Vein Coal Company.

Board of Directors
First State Bank

First Row: John W. Perry, Cashier & Investment Officer, First State Bank; Richard E. Conrad, President, First State Bank; Donald E. Smith, Chairman of the Board & President, Terre Haute First Corporation; Max Gibson, President, Jamax Corporation; Second Row: James E. Brown, Senior Vice President, Terre Haute First National Bank; James E. Pell, President, Pell Homes, Inc.; John P. Stelle, Honorable Judge, Clay County Superior Court; Ray G. Ingram, Senior Vice President, Terre Haute First National Bank.

TERRE HAUTE FIRST NATIONAL BANK
Officers
January—1985

Donald E. Smith—President and Chief Executive Officer
Richard E. Conrad—Senior Vice President & Cashier
James E. Brown—Senior Vice President
Ray G. Ingram—Senior Vice President
Jack H. Page—Senior Vice President & Trust Officer
John W. Perry—Senior Vice President
Michael A. Carty—Vice President & Controller
Stanley V. Hart—Vice President
Jerrald L. Titus—Vice President
Richard O. White—Vice President & Security Officer
James H. Clayton—Vice President-Business Development & Personnel Officer
Barry A. Stuck—Auditor
Marc Beeson—Vice President
Morris G. Crumrin—Vice President & Banking Center Manager
Charley E. Hendricks—Vice President
Don Lofton—Vice President
Raymond L. Norris—Vice President
Harold V. Rost—Vice President & Banking Center Manager
Leland S. Sutherland—Vice President & Banking Center Manager
Cary W. Sparks—Assistant Vice President & Trust Officer
James R. Brown—Trust Officer
Alex F. Kosarko, Jr.—Trust Officer
Robert D. Gibbons—Trust Investment Officer
William B. Adams—Assistant Vice President
David B. Ballinger—Assistant Vice President & Banking Center Manager
Winnie Jo Cochran—Assistant Vice President & Banking Center Manager
Vernon M. Cook—Assistant Vice President
Lela Cooper—Assistant Vice President—Personnel
John D. Evans—Assistant Vice President—Operations
William R. Farris—Assistant Vice President & Banking Center Manager
William H. Jeffries—Assistant Vice President
Marylou Hoffman—Assistant Vice President & Banking Center Manager
Michael F. Holmes—Assistant Vice President & Banking Center Manager
David L. Johnston—Assistant Vice President
Janet L. Masters—Assistant Vice President
Albert R. Monninger—Assistant Vice President
Mary Ann Murphy—Assistant Vice President—Commercial Leasing
William G. O'Rourke—Assistant Vice President
Pete J. Piazza—Assistant Vice President
Deborah S. Pierce—Assistant Vice President
Ronald W. Reagan—Assistant Vice President & Banking Center Manager
David E. Rogers—Assistant Vice President
Fred P. Rubey—Assistant Vice President
Lawrence R. Schopmeyer—Assistant Vice President
James A. Watkins—Assistant Vice President
Jerry L. Williams—Assistant Vice President
Merle M. Allen—Assistant Cashier
Nicholas J. Anderson—Assistant Cashier
David P. Anshutz—Assistant Cashier
James A. Cheek—Assistant Cashier
Nancy G. Cunningham—Assistant Cashier
Lewis J. Dondrea—Assistant Cashier
Donna G. Ellinger—Assistant Cashier
Phillip R. Garrigus—Assistant Cashier
Martha J. Kelley—Assistant Cashier
Sook-Ja Lee—Assistant Cashier
Erma Dale Mathis—Assistant Cashier
Scott McCullough—Assistant Cashier & Loan Review Officer
Gayle Pettit—Assistant Cashier & Assistant Security Officer
Jeffrey K. Redman—Assistant Cashier
Wilma M. Roman—Assistant Cashier-Customer Investment Officer
Tina M. Ryan—Assistant Cashier
Alan L. Sackrider—Assistant Cashier
Mary Patricia Scully—Assistant Cashier
William M. Sims—Assistant Cashier
Josie Swalls—Assistant Cashier & Banking Center Manager
Nan Turner—Assistant Cashier
Kathryn Sue Beard—Commercial Leasing Officer
Richard A. Chowning—Assistant Data Processing Officer
Bernard N. Conrad—Installment Loan Officer
Sally A. Ingram—Assistant Marketing Officer
Phillip G. Wetzel—Collection Officer

First State Bank
Directors

JAMES E. BROWN
Senior Vice President, Terre Haute First National Bank

RICHARD E. CONRAD
President, First State Bank

MAX GIBSON
President, Jamax Corp.

RAY G. INGRAM
Senior Vice President, Terre Haute First National Bank

JAMES E. PELL
President, Pell Homes, Inc.

JOHN W. PERRY
Cashier & Investment Officer, First State Bank

DONALD E. SMITH
Chairman of the Board, Terre Haute First Corporation

JOHN P. STELLE
Honorable Judge, Clay County Superior Court

First State Bank
Officers

RICHARD E. CONRAD
President

JOHN W. PERRY
Cashier & Investment Officer

LARRY W. HOWARD
Executive Vice President & Trust Officer

J. BART COLWELL
Vice President

W. CRAIG NEES
Vice President & Security Officer

SUSAN E. RODGERS
Assistant Cashier

Terre Haute First National Bank

Annual Report 1983

About Our Cover:

As we enter into our 150th Anniversary Year, our "First" logo depicts Terre Haute First National Bank's strength, tradition and history in the Terre Haute community. Our service of continued banking tradition as the Wabash Valley's progressive financial leader, is a commitment we defined at our inception 15 decades ago.

To Our Shareholders, Our Customers, and Business Community:

As we enter our 150th year of service to the community, Terre Haute First National Bank is one of the oldest banks in the United States. From our beginning in 1834 the bank's assets have increased over the past 15 decades to $484,181,286. In 1863, the bank obtained a national banking charter and became the 47th National Bank in the United States.

We are very proud of this heritage and are pleased to announce that in 1983 Terre Haute First reached record earnings of $3,424,310, the highest in the bank's history. This represented an increase of 13.92% over 1982 earnings. The increased profits resulted in a dividend increase of $.20 per share, which was a 12.5% increase over 1982 dividends declared.

Following our tradition of being a leader, the formation of a one bank holding company was approved by our Board of Directors and stockholders early in 1983. This holding company, Terre Haute First Corporation, provides the bank with the flexibility to anticipate and react to the changes occurring in today's financial marketplace. The enclosed financial statements are of the holding company and its sole subsidiary Terre Haute First National Bank.

As reflected in our anniversary logo, our tradition of continued growth, quality of service and community commitment is the way Terre Haute First National Bank serves as West Central Indiana's leading progressive bank.

On January 31, 1983, we added our tenth Banking Center, which opened inside the Honey Creek Shopping Mall. This additional Banking Center provides Terre Haute First clients with all of the convenience of banking in the aesthetic atmosphere of the 1890's.

Our sixth FirstPlus 24-hour automated teller machine, located at 521 Wabash Avenue, was installed in mid-August. All of our 24-hour banking units are in prime locations throughout the Terre Haute area.

A fifth electronic bank sign at the intersection of State Roads 42 and 46 was added to promote not only bank services, but also community activities as well. Our community spirit is felt not only with our electronic bank sign messages, but in all facets of the community through bank donations and volunteerism of bank employees.

Banking deregulation added a new phase to banking by eliminating interest rate ceilings on most time deposits effective October 1, 1983. Lower investment balances for certificates of deposit, and more competitive rates on investments give our Terre Haute First clients more investment flexibility.

Customer services were further enhanced during the year through the development of discount brokerage. By using the discount brokerage service, investors can buy and sell securities at reduced commissions. MasterCard was also added to our service list so that Terre Haute First clients have the option of having both a Visa Card and MasterCard.

Our staff of officers was strengthened in 1983 when Jack H. Page, joined the bank's trust department as Senior Vice-President and Trust Officer. Page, a Terre Haute native, returned to the bank following four years in the trust department at Lafayette National. He had previously served in Terre Haute First National Bank's trust department for 26 years.

We report 1983 retirement of three Terre Haute First staff members: Monette Hodges, Agatha Glosson and Charles "Huck" Johnson. Together these employees served a total of 35 years in the bank.

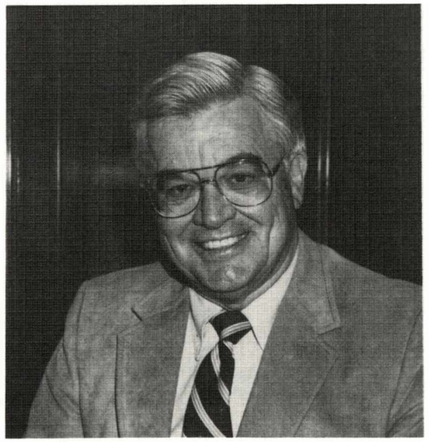
At the November meeting of the Board of Directors, four officers advanced: Marc Beeson has been appointed Vice President; Barry A. Stuck was named as Bank Auditor; Joseph L. McDaniel advanced to Assistant Cashier and Trust Officer; Alex F. Kosarko, Jr. was named as Trust Officer. Also, two employees were elected to the officer staff, effective January 1, 1984. Richard A. Chowning was named Assistant Data Processing Officer; and Sally A. Ingram advanced to Assistant Marketing Officer.

As 1984 unfolds, we look forward to serving you, our shareholders, our customers, and our community as we begin our 150th anniversary year of continued banking excellence.

Thank you for your continued support.

Donald E. Smith

Donald E. Smith
President and Chief Executive Officer



FINANCIAL HIGHLIGHTS

FOR THE YEAR

	1983	1982	% Change
Operating Income	$ 47,375,277	$ 49,138,178	(3.59)
Operating Expenses	43,418,216	46,088,780	(5.79)
Net Income	3,424,310	3,005,989	13.92
Net Income Per Share	6.87	6.01	14.31
Dividends Declared	896,362	800,000	12.05
Cash Dividends Paid Per Share	1.70	1.60	6.25
Interest Paid Depositors	27,871,991	29,273,886	(4.79)

AT YEAR END

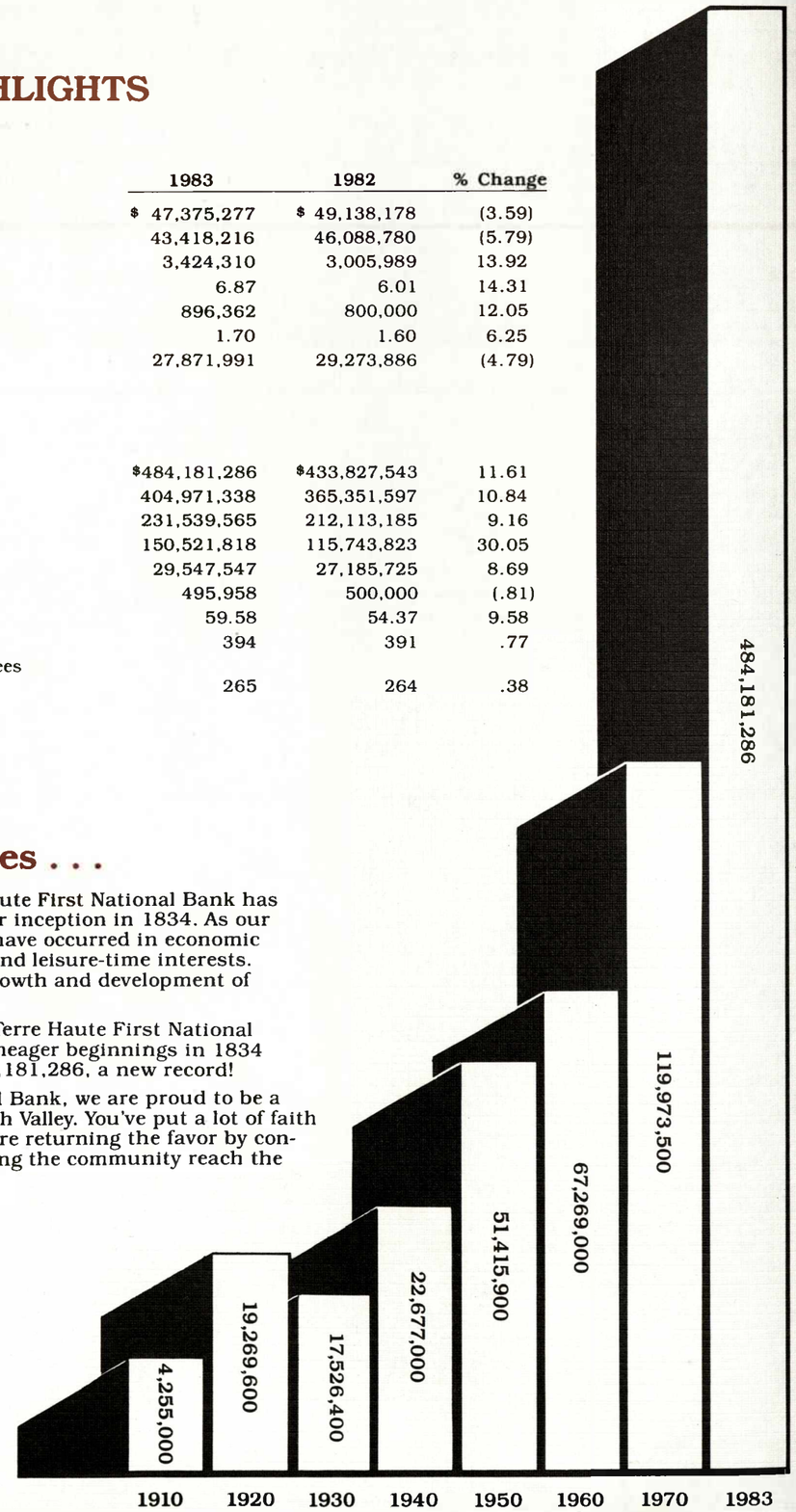
Assets	$484,181,286	$433,827,543	11.61
Deposits	404,971,338	365,351,597	10.84
Loans	231,539,565	212,113,185	9.16
Investments	150,521,818	115,743,823	30.05
Capital Funds	29,547,547	27,185,725	8.69
Number of Shares Outstanding	495,958	500,000	(.81)
Book Value Per Share	59.58	54.37	9.58
Number of Shareholders	394	391	.77
Number of Officers and Employees (Full Time)	265	264	.38

Our Tradition of Growth Continues . . .

By the end of 1983, Terre Haute First National Bank has grown considerably since our inception in 1834. As our nation has grown, changes have occurred in economic activity, our ways of living, and leisure-time interests. This graph highlights the growth and development of Terre Haute First.

In terms of current dollars, Terre Haute First National Bank's assets rose from its meager beginnings in 1834 to its current assets of $484,181,286, a new record!

At Terre Haute First National Bank, we are proud to be a longtime friend of the Wabash Valley. You've put a lot of faith in us over the years, and we're returning the favor by continuing our support in helping the community reach the goals of tomorrow!



CONSOLIDATED STATEMENTS OF CONDITION

	December 31 1983	1982
ASSETS		
Cash and Due From Banks—Note B	$ 34,237,402	$ 32,748,140
Interest Bearing Deposits with other Banks	22,178,347	49,802,482
Federal Funds Sold and Securities Purchased Under Agreements To Resell	32,485,000	11,415,000
Investment Securities—market value: 1983, $146,660,574; 1982, $113,140,346—Note C	150,521,818	115,743,823
Loans—Notes D and E		
Commercial, financial and agricultural	89,746,038	76,575,899
Real estate—construction	2,244,795	3,291,123
Real estate—mortgage	85,880,468	78,737,506
Installment	55,411,528	55,898,569
Lease financing	8,905,044	9,616,702
	242,187,873	224,119,799
Less: Unearned income	(10,648,308)	(12,006,614)
Allowance for loan losses	(1,957,377)	(2,168,379)
	229,582,188	209,944,806
Accrued Income Receivable	8,046,174	6,930,484
Premises And Equipment—Note F	5,645,189	5,438,148
Other Assets	1,485,168	1,804,660
	$484,181,286	$433,827,543
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Noninterest bearing	$ 62,845,631	$ 63,697,334
Interest bearing	342,125,707	301,654,263
	404,971,338	365,351,597
Short-Term Borrowings		
Federal funds purchased and securities sold under agreements to repurchase	40,039,747	30,969,855
Treasury tax and loan open-end note	2,418,848	3,973,552
	42,458,595	34,943,407
Deferred Federal Income Taxes—Note G	1,624,357	1,635,436
Other Liabilities	5,579,449	4,711,378
TOTAL LIABILITIES	454,633,739	406,641,818
Shareholders' Equity—Note H		
Common Stock, no par value:		
Authorized—750,000 shares;		
Issued—500,000 shares including 4,042 shares in treasury in 1983	500,000	500,000
Additional capital	13,760,000	13,760,000
Retained earnings	15,453,673	12,925,725
Cost of common stock in treasury	(166,126)	—
	29,547,547	27,185,725
Commitments—Note J		
	$484,181,286	$433,827,543

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31 1983	1982	1981
INTEREST INCOME			
Loans, including fees	$25,263,016	$25,964,686	$25,389,762
Investment securities:			
Taxable	11,470,789	8,715,399	6,941,781
Tax-exempt	2,046,780	2,282,839	2,838,900
	13,517,569	10,998,238	9,780,681
Deposits with other banks	4,167,679	8,479,538	2,362,569
Federal funds sold and securities purchased under agreements to resell	2,248,535	1,326,585	2,482,305
TOTAL INTEREST INCOME	45,196,799	46,769,047	40,015,317
INTEREST EXPENSE			
Deposits	27,871,991	29,273,886	27,113,882
Short-term borrowings	3,078,402	5,162,642	2,946,783
TOTAL INTEREST EXPENSE	30,950,393	34,436,528	30,060,665
NET INTEREST INCOME	14,246,406	12,332,519	9,954,652
Provision for loan losses—Note E	650,000	620,000	603,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	13,596,406	11,712,519	9,351,652
OTHER INCOME			
Trust department income	444,499	419,929	354,284
Service charges on deposit accounts	530,634	498,000	468,291
Other service charges and fees	1,020,929	865,609	643,288
Investment securities losses	(27,751)	(387,409)	(196,097)
Other	182,416	585,593	186,926
	2,150,727	1,981,722	1,456,692
OTHER EXPENSES			
Salaries	4,466,525	4,150,301	3,975,036
Pension and other employee benefits	1,224,843	1,121,954	948,939
Occupancy expense	805,041	770,072	669,556
Equipment expense	608,205	562,918	557,238
Data processing expense	1,008,873	926,802	905,301
Intangibles tax	550,930	530,522	548,224
Other	3,153,406	2,969,683	2,692,625
	11,817,823	11,032,252	10,296,919
INCOME BEFORE FEDERAL INCOME TAXES	3,929,310	2,661,989	511,425
Federal income tax expense (credit)—Note G	505,000	(344,000)	(2,007,000)
NET INCOME	$ 3,424,310	$ 3,005,989	$ 2,518,425
Net income per common share (based on average number of shares outstanding)	$ 6.87	$ 6.01	$ 5.04

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Stock	Additional Capital	Retained Earnings	Treasury Stock	Total
Balance, January 1, 1981, as previously reported, ($20 par value; 162,000 shares outstanding)	$ 3,240,000	$ 9,260,000	$10,771,311	$ —	$23,271,311
Restatement for reorganization	(2,740,000)	4,500,000	(1,760,000)	—	—
Balance, January 1, 1981, as restated ($1 stated value; 500,000 shares outstanding)	500,000	13,760,000	9,011,311	—	23,271,311
Additions (deductions):					
Net income	—	—	2,518,425	—	2,518,425
Cash dividends—$1.62 per share	—	—	(810,000)	—	(810,000)
Balance, December 31, 1981	500,000	13,760,000	10,719,736	—	24,979,736
Additions (deductions):					
Net income	—	—	3,005,989	—	3,005,989
Cash dividends—$1.60 per share	—	—	(800,000)	—	(800,000)
Balance, December 31, 1982	500,000	13,760,000	12,925,725	—	27,185,725
Additions (deductions):					
Purchase 4,042 shares of common stock for treasury	—	—	—	(166,126)	(166,126)
Net income	—	—	3,424,310	—	3,424,310
Cash dividends—$1.80 per share	—	—	(896,362)	—	(896,362)
BALANCE, DECEMBER 31, 1983	$ 500,000	$13,760,000	$15,453,673	$ (166,126)	$29,547,547

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

	Year Ended December 31 1983	1982	1981
SOURCE OF FUNDS			
Net income	$ 3,424,310	$ 3,005,989	$ 2,518,425
Charges (credits) to income not requiring current outlay of cash:			
Provision for depreciation	578,934	550,709	564,084
Provision for loan losses	650,000	620,000	603,000
Provision for deferred federal income taxes	(37,950)	(335,427)	180,172
Net amortization of premiums (accretion of discounts) on investment securities	(456,435)	(77,955)	50,987
TOTALS FROM OPERATIONS	4,158,859	3,763,316	3,916,668
Decrease in:			
Interest bearing deposits with other banks	27,624,135	9,213,434	—
Federal funds sold and securities purchased under agreements to resell	—	—	33,400,000
Other assets	148,007	1,741,554	—
Increase in:			
Deposits	39,619,741	26,518,838	30,318,653
Short-term borrowings	7,515,188	—	21,201,824
Other liabilities	868,071	212,944	541,469
	$79,934,001	$41,450,086	$89,378,614
APPLICATION OF FUNDS			
Increase in:			
Cash and due from banks	$ 1,489,262	$ 1,691,574	$10,612,048
Interest bearing deposits with other banks	—	—	57,015,916
Federal funds sold and securities purchased under agreements to resell	21,070,000	11,415,000	—
Investment securities	34,321,560	8,890,417	2,049,927
Loans	20,266,026	13,926,291	14,587,773
Accrued income receivable	1,115,690	357,757	2,112,830
Other assets	—	—	1,381,748
Decrease in short-term borrowings	—	3,733,912	—
Additions to premises and equipment	608,975	635,135	808,372
Cash dividends	896,362	800,000	810,000
Purchase of treasury stock	166,126	—	—
	$79,934,001	$41,450,086	$89,378,614

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A—SIGNIFICANT ACCOUNTING POLICIES

Organization: The consolidated financial statements include the accounts of Terre Haute First Corporation (the Corporation) and its wholly owned subsidiary, Terre Haute First National Bank (the Bank). The Corporation and the Bank provide banking services to the domestic market. Intercompany balances and transactions have been eliminated in the consolidated financial statements.

On May 2, 1983, the Corporation issued 500,000 shares of Common Stock in exchange for all the outstanding common stock of the Bank. The acquisition has been accounted for as a pooling of interests transaction. Accordingly, the consolidated statements of income include the operations of the Bank from January 1, 1981. The Corporation had no operations prior to 1983, therefore, the consolidated net income of the Corporation for the years ended December 31, 1982 and 1981, is the same as that previously reported for the Bank.

Investment Securities: Investment securities are stated at cost adjusted for amortization of premium and accretion of discount, both computed by the straight-line method. Gains and losses on the sale of investment securities are based on the adjusted cost of the specific security.

Loans: Interest income on commercial and mortgage loans is recorded monthly as earned. Interest income on consumer loans is principally recorded by the sum-of-the-months-digits method. Accrual of interest is suspended for those loans where serious doubts exists as to collectibility.

Allowance for Loan Losses: The allowance for loan losses is maintained at a level considered adequate to provide for potential loan losses and is based on management's evaluation of potential losses in the loan portfolio, as well as prevailing and anticipated economic conditions. The allowance is increased by provisions charged against income and reduced by net charge-offs.

Lease Financing: The Bank provides equipment financing to its customers through a variety of lease arrangements. Direct and leveraged financing leases are carried at the aggregate of lease payments receivable plus estimated residual values. Unearned income on direct and leveraged financing leases is amortized over the lease terms resulting in an approximate level rate of return.

Premises and Equipment: Premises and equipment are recorded on the basis of cost. Provisions for depreciation are computed by the declining-balance and straight-line methods.

Federal Income Taxes: Federal income taxes are deferred for timing differences between pretax accounting income and taxable income. The investment tax credit resulting from expenditures for premises and equipment purchased for the Bank's own use is recognized in the determination of federal income taxes in the year the asset is placed in service. The investment tax credit relating to assets owned and leased to others is deferred and amortized over the term of the investment.

Employee Retirement Plan: Operating expenses include annual payments to the plan, which are computed actuarially by the entry age normal cost method to include normal costs and amortization of prior service costs over ten years.

Reclassifications: Certain amounts in the 1982 and 1981 financial statements have been reclassified to conform with the 1983 presentation. These reclassifications, which result from recent SEC rule changes, principally affect the reporting of investment securities losses. The losses ($27,751, $387,409 and $196,097 in 1983, 1982 and 1981, respectively) are now reported as a component of other income and applicable federal income tax credits ($12,800, $176,500 and $94,000 in 1983, 1982 and 1981, respectively) are included in the provision for federal income taxes. Previously, such gains or losses were reported net of their tax effect, as a separate item, below the caption "income before securities gains or losses". Such reclassifications had no effect on net income.

NOTE B—RESTRICTIONS ON CASH AND DUE FROM BANKS

The Bank is required to maintain average reserve balances with the Federal Reserve Bank. The average amount of those reserve balances for the year ended December 31, 1983 was approximately $9,037,000.

NOTE C—INVESTMENT SECURITIES

Investment securities are summarized as follows:

	December 31			
	1983		1982	
	Carrying Amount	Market Price	Carrying Amount	Market Price
United States Government	$ 70,229,392	$ 69,853,304	$ 54,812,315	$ 55,967,907
United States Government agencies	23,978,345	24,236,875	24,482,368	25,367,956
State and municipal	33,480,627	29,836,069	36,449,140	31,804,483
Corporate bonds	22,833,454	22,734,326	—	—
TOTALS	$150,521,818	$146,660,574	$115,743,823	$113,140,346

Investment securities amounting to approximately $65,730,000 at December 31, 1983 were pledged as collateral for borrowings and for other purposes.

NOTE D—LOANS

The Bank has granted loans to certain directors and executive officers of the Corporation and the Bank and to their associates. Related party loans are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated persons and do not involve more than the normal risk of collectibility. The aggregate dollar amount of these loans was $7,005,212 and $8,265,155 at December 31, 1983 and 1982, respectively. During 1983, $18,669,892 of new loans were made and repayments totaled $19,929,835 with respect to related party loans.

At December 31, 1983, the Bank had standby letters of credit outstanding of approximately $4,843,000.

NOTE E—ALLOWANCE FOR LOAN LOSSES

Changes in the allowance for loan losses are summarized as follows:

	1983	1982	1981
Balance at beginning of year	$2,168,379	$1,758,056	$1,982,951
Provision for loan losses	650,000	620,000	603,000
Recoveries of loans previously charged off	193,966	299,749	368,910
Loans charged off (deduction)	(1,054,968)	(509,426)	(1,196,805)
BALANCE AT END OF YEAR	$1,957,377	$2,168,379	$1,758,056

NOTE F—PREMISES AND EQUIPMENT

Premises and equipment are summarized as follows:

	December 31	
	1983	1982
Land	$ 1,503,868	$1,326,868
Building and leasehold improvements	4,662,943	4,565,597
Furniture and equipment	3,908,791	3,472,166
	10,075,602	9,364,631
Less allowance for depreciation	4,430,413	3,926,483
TOTALS	$ 5,645,189	$5,438,148

NOTE G—FEDERAL INCOME TAXES

Federal income tax expense (credit) is summarized as follows:

	1983	1982	1981
Current (recoverable)	$542,950	$ (8,573)	$(2,187,172)
Deferred	(37,950)	(335,427)	180,172
TOTALS	$505,000	$(344,000)	$(2,007,000)

Timing differences in the recognition of revenue and expense for tax and financial reporting purposes resulted in deferred income taxes as follows:

	1983	1982	1981
Provision for loan losses	$ 97,061	$(188,749)	$114,659
Lease financing	(191,571)	(127,597)	30,499
Accretion of discount on investment securities	(86,869)	37,149	21,542
Other	143,429	(56,230)	13,472
TOTALS	$ (37,950)	$(335,427)	$180,172

A reconciliation of federal income tax expense (credit) with the amount computed by applying the statutory federal income tax rate to income before federal income taxes is summarized as follows:

	1983	1982	1981
Federal income taxes computed at the statutory rate	$ 1,807,482	$ 1,224,515	$ 235,255
Add (deduct) tax effect of:			
Nontaxable income from municipal securities, loans and leases	(1,261,510)	(1,590,441)	(2,106,581)
Investment tax credit	(48,761)	(43,640)	(70,269)
Other items	7,789	65,566	(65,405)
	(1,302,482)	(1,568,515)	(2,242,255)
TOTALS	$ 505,000	$ (344,000)	$(2,007,000)

NOTE H—DIVIDEND LIMITATION

At December 31, 1983, approximately $4,842,000 of undistributed earnings of the Bank, included in consolidated retained earnings, were available for distribution to the Corporation as dividends without approval of the Comptroller of the Currency.

NOTE I—EMPLOYEE RETIREMENT PLAN

The Bank has a noncontributory retirement plan covering approximately one-half of its employees. Expenses of the plan for the years ended December 31, 1983, 1982 and 1981 were approximately $423,000, $421,000 and $330,000, respectively.

Accumulated plan benefit information, as estimated by consulting actuaries, and plan net assets as of January 1 (the latest valuation date) were:

	1983	1982
Actuarial present value of accumulated plan benefits:		
Vested	$3,101,332	$2,774,952
Nonvested	313,045	297,088
TOTALS	$3,414,377	$3,072,040
Net assets available for benefits	$4,229,132	$3,229,333

The assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 6%.

NOTE J—COMMITMENTS

The Bank is obligated under an electronic data processing service contract, expiring on January 31, 1986, which provides for minimum annual fees approximating: 1984, $1,047,000; 1985, $1,131,000 and 1986, $95,000.

Report of Ernst & Whinney—Independent Auditors

Shareholders and Board of Directors
Terre Haute First Corporation
Terre Haute, Indiana

We have examined the consolidated statements of condition of Terre Haute First Corporation and subsidiary as of December 31, 1983 and 1982, and the related consolidated statements of income, shareholders' equity and changes in financial position for each of the three years in the period ended December 31, 1983. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Terre Haute First Corporation and subsidiary at December 31, 1983 and 1982, and the consolidated results of their operations and changes in their financial position for each of the three years in the period ended December 31, 1983, in conformity with generally accepted accounting principles applied on a consistent basis.

Indianapolis, Indiana
January 20, 1984

Ernst + Whinney

FIVE-YEAR COMPARATIVE SUMMARY (THOUSANDS)

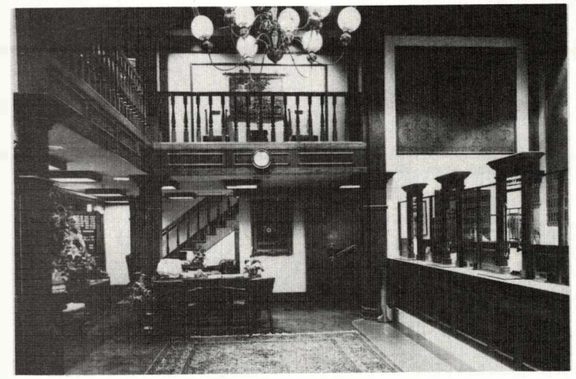
STATEMENTS OF CONDITION

	1983	1982	1981	1980	1979
ASSETS					
Cash and Due From Banks—					
Interest Bearing	$ 56,416	$ 82,551	$100,207	$ 29,502	$ 23,199
Federal Funds Sold	32,485	11,415	—0—	33,400	23,100
Investment Securities	150,522	115,744	106,775	104,777	87,081
Loans, Net of Unearned Discount	231,539	212,113	188,258	177,580	169,982
Less: Reserve for Loan Losses	(1,957)	(2,168)	(1,758)	(1,983)	(1,980)
Loans, Net	229,582	209,945	186,500	175,597	168,002
Other Assets	15,177	14,173	15,467	11,735	8,944
TOTAL ASSETS	$484,182	$433,828	$408,949	$355,011	$310,326
LIABILITIES					
Deposits					
Demand	$ 62,845	$ 63,697	$ 68,813	$ 78,383	$ 76,134
Savings and Time	342,126	301,654	270,020	230,131	192,746
TOTAL DEPOSITS	404,971	365,351	338,833	308,514	268,880
Short-Term Borrowings	42,459	34,943	38,677	17,475	15,514
Other Liabilities	7,204	6,348	6,459	5,751	4,903
TOTAL LIABILITIES	454,634	406,642	383,969	331,740	289,297
CAPITAL					
Common Stock	500	5,000	3,240	3,240	3,240
Additional Capital	13,760	9,260	9,260	9,260	9,260
Undivided Profits	15,454	12,926	12,480	10,771	8,529
Less: Treasury Stock	(166)	—0—	—0—	—0—	—0—
TOTAL CAPITAL	29,548	27,186	24,980	23,271	21,029
TOTAL LIABILITIES & CAPITAL	$484,182	$433,828	$408,949	$355,011	$310,326

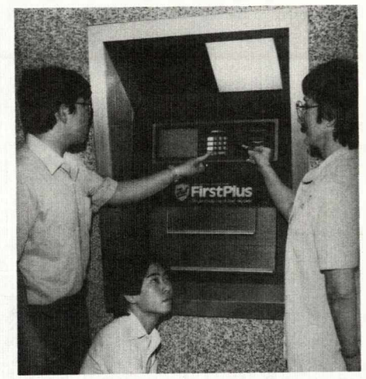
STATEMENTS OF INCOME

Interest Income					
Interest & Fees on Loans	$ 25,263	$ 25,965	$ 25,390	$ 19,826	$ 17,657
Interest on Fed. Funds Sold	2,249	1,326	2,482	3,409	2,286
Interest on Securities	17,685	19,478	12,143	7,793	5,137
TOTAL INTEREST INCOME	45,197	46,769	40,015	31,028	25,080
Interest Expense					
Interest on Deposits	27,872	29,274	27,114	17,832	12,620
Interest on Short-Term Borrowings	3,078	5,163	2,947	1,834	1,277
TOTAL INTEREST EXPENSE	30,950	34,437	30,061	19,666	13,897
Net Interest Income	14,246	12,332	9,954	11,362	11,183
Provision for Loan Losses	650	620	603	430	470
NET INTEREST CONTRIBUTION	13,596	11,712	9,351	10,932	10,713
Other Income	2,151	1,982	1,457	1,300	1,473
	15,747	13,694	10,808	12,232	12,186
Other Expenses	11,818	11,032	10,297	9,205	8,129
Income Before Federal Taxes	3,929	2,662	511	3,027	4,057
Income Taxes (Credit)	505	(344)	(2,007)	16	705
NET INCOME	$ 3,424	$ 3,006	$ 2,518	$ 3,011	$ 3,352

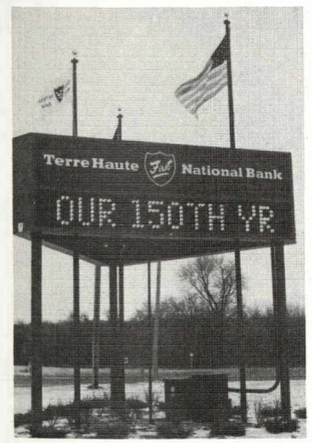
Our Tradition of Innovative Growth Continues



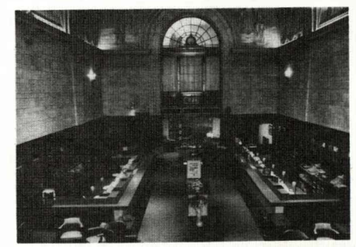
January 31, 1983 marked the grand opening of our tenth Banking Center which is located in the Honey Creek Square Shopping Mall.



The Bank's sixth 24-Hour FirstPlus Automated Teller was added at 521 Wabash on August 18, 1983.

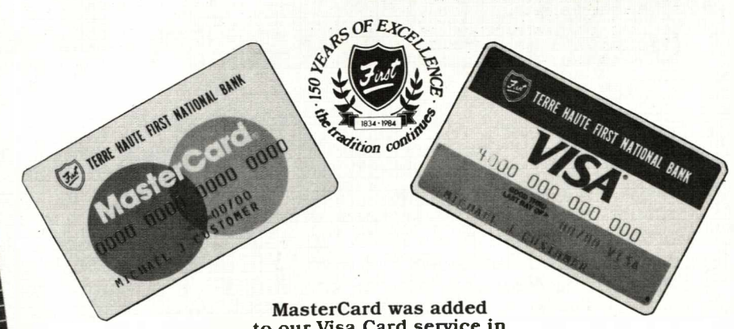


A fifth electronic bank sign was erected at the intersection of State Roads 42 and 46 in September, 1983.



Main office (left) and West Terre Haute's Banking Center (right) were refurbished and completed in the Fall of 1983.

Always seeking new ways to improve our client services, Terre Haute First National Bank introduced on October 1st, 1983, our Discount Brokerage Investor Service.



MasterCard was added to our Visa Card service in November, 1983, to give Terre Haute First clients an additional credit option.

Board of Directors

Terre Haute First National Bank's Board of Directors

Standing (left to right): Max Gibson, President, Gibson Coal Company; Walter A. Bledsoe, Investments; John W. Ragle, President, Graham Grain Company; William Niemeyer, President, Niemeyer Coal Company; Richard W. Kelly, Chairman of the Board, Wabash Valley Asphalt Company, Incorporated; Welby M. Frantz, Business Consultant—Transportation Specialist; Patrick O'Leary, President, Terre Haute Concrete Supply Corporation; and Richard E. Conrad, Senior Vice President and Cashier, Terre Haute First National Bank. Seated (left to right): Edward B. Ijams, Investments; Mary Fendrich Hulman, Chairman of the Board, Hulman and Company; Donald E. Smith, President and Chief Executive Officer, Terre Haute First National Bank; John J. Cleary, Retired; Wilson N. Cox, Attorney at Law; and Henry P. Smith, President, Deep Vein Coal Company.

Directors

WALTER A. BLEDSOE
Investments
JOHN J. CLEARY
Retired
RICHARD E. CONRAD
Senior Vice President & Cashier
WILSON N. COX
Attorney at Law
WELBY M. FRANTZ
Business Consultant—Transportation Specialist
MAX GIBSON
President, Gibson Coal Company, Inc.
MARY FENDRICH HULMAN
Chairman of the Board, Hulman & Company
EDWARD B. IJAMS
Investments
RICHARD W. KELLY
Chairman of the Board, Wabash Valley Asphalt Co., Inc.
WILLIAM NIEMEYER
President, Niemeyer Coal Company
PATRICK O'LEARY
President, Terre Haute Concrete Supply Corp.
JOHN W. RAGLE
President, Graham Grain Co., Inc.
DONALD E. SMITH
President & Chief Executive Officer
HENRY P. SMITH
President, Deep Vein Coal Company

Official Organization

Donald E. Smith—President & Chief Executive Officer
Richard E. Conrad—Senior Vice President & Cashier
James E. Brown—Senior Vice President
King A. Fasig—Senior Vice President & Trust Officer
Jack Page—Senior Vice President & Trust Officer
Ray G. Ingram—Administrative Vice President
John W. Perry—Vice President-Finance
Stanley V. Hart—Vice President
Jerrald L. Titus—Vice President
Richard O. White—Vice President
Michael A. Carty—Controller
Barry A. Stuck—Auditor
James H. Clayton—Vice President-Business Development & Personnel Officer
Charley E. Hendricks—Vice President
Don Lofton—Vice President
Raymond L. Norris—Vice President
Marc Beeson—Vice President
Cary W. Sparks—Assistant Vice President & Trust Officer
Joseph L. McDaniel—Assistant Cashier and Trust Officer
James R. Brown—Trust Officer
Alex F. Kosarko, Jr.—Trust Officer
William B. Adams—Assistant Vice President
David B. Ballinger—Assistant Vice President & Branch Manager
Winnie Jo Cochran—Assistant Vice President & Branch Manager
Vernon M. Cook—Assistant Vice President
Leia Cooper—Assistant Vice President-Personnel
Morris G. Crumrin—Assistant Vice President & Branch Manager
John D. Evans—Assistant Vice President-Operations
William R. Farris—Assistant Vice President & Branch Manager
William H. Jeffries—Assistant Vice President
Marylou Hoffman—Assistant Vice President & Branch Manager
Michael F. Holmes—Assistant Vice President & Branch Manager
Larry Howard—Assistant Vice President-Branch Administration/Security Director
David L. Johnston—Assistant Vice President
Janet L. Masters—Assistant Vice President
Albert R. Monninger—Assistant Vice President
William G. O'Rourke—Assistant Vice President
Pete J. Piazza—Assistant Vice President
Deborah S. Pierce—Assistant Vice President
Ronald W. Reagan—Assistant Vice President & Branch Manager
Grace R. Redman—Assistant Vice President & Branch Manager
David E. Rogers—Assistant Vice President
Harold V. Rost—Assistant Vice President & Branch Manager
Fred P. Rubey—Assistant Vice President
Lawrence R. Schopmeyer—Assistant Vice President
Leland S. Sutherland—Assistant Vice President & Branch Manager
James A. Watkins—Assistant Vice President
Terrell A. White—Assistant Vice President-Commercial Leasing
Jerry L. Williams—Assistant Vice President
Robert D. Gibbons—Trust Investment Officer
Merle M. Allen—Assistant Cashier
Nicholas J. Anderson—Assistant Cashier
David P. Anshutz—Assistant Cashier
Nancy G. Cunningham—Assistant Cashier
Anna Louise Ferry—Assistant Cashier
Phillip R. Garrigus—Assistant Cashier
Martha J. Kelley—Assistant Cashier
Scott McCullough—Assistant Cashier & Loan Review Officer
Erma Dale Mathis—Assistant Cashier
Jeffrey K. Redman—Assistant Cashier
Alan L. Sackrider—Assistant Cashier
Mary Patricia Scully—Assistant Cashier
William M. Sims—Assistant Cashier
Josie Swalls—Assistant Cashier
Nan Turner—Assistant Cashier
Ronald B. Weaver—Assistant Cashier
Wilma M. Roman—Customer Investment Officer
Mary Ann Murphy—Commercial Leasing Officer
Bernard N. Conrad—Installment Loan Officer
Sally A. Ingram—Assistant Marketing Officer
Phillip G. Wetzel—Collection Officer
Richard A. Chowning—Assistant Data Processing Officer

Banking Centers

Main Office
643-645 Wabash Avenue

Downtown
511 Wabash Avenue

521 Wabash
Automated banking available

Maple Avenue
4065 Maple Avenue

Meadows Center
350 South 25th Street
Automated banking available

Plaza North
Ft. Harrison Road and Lafayette Avenue
Automated banking available

Seelyville
Seelyville, Indiana

Southland
7th Street and Margaret Avenue

Springhill
4500 Dixie Bee Road
Automated banking available

West Terre Haute
309 National Avenue
West Terre Haute, Indiana
Automated banking available

Honey Creek Square Shopping Mall
U.S. 41 South
Automated banking available

150 YEARS OF EXCELLENCE
1834-1984
the tradition continues

Terre Haute First National Bank

Member Federal Reserve System
Member FDIC

FIRST FINANCIAL CORPORATION
ANNUAL REPORT
1985

10/86

COVER PHOTOGRAPH

Our cover illustration for this edition of First Financial Corporation's annual report is a chronical of the banking profession itself, depicted in heirlooms belonging to the flagship of the corporation; Terre Haute First National Bank.

Some of these items featured in the collage on the front cover, date as far back as the early 1800's. In November of 1834, the earliest ancestor of First Financial Corporation, the Terre Haute Branch of the State Bank of Indiana, was formed.

Some of the highlights from our front cover include various ledger books and passbooks used in the day to day business of banking. The Burroughs adding machine in the lower left corner, has taken on a time-mellowed look in keeping with its age, yet is still capable of doing a yeoman's work.

The various seals and stamp holder date back to 1918 during the era of the McKeen National Bank, another early ancestor of First Financial Corporation. The charter in the picture frame on the left side of the front cover was issued by the Comptroller of the Currency June 13, 1902, to form another of our ancestors, the First National Bank of Terre Haute.

For contrast, the back cover of our report illustrates some of the tools of business in the 80's. Parchment and graphite have made way for magnetic tape and plastics, the hallmarks of 21st century electronic banking.

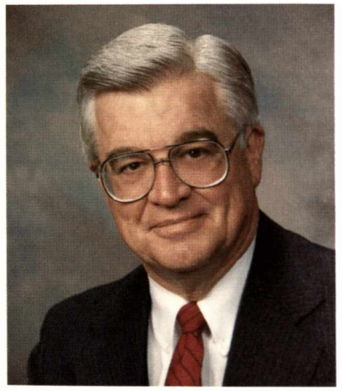
First Financial Corporation is proud of our rich heritage, and equally proud of our advances in state-of-the-art technology. Although things may have changed in the tools of our profession, one thing has never changed at First; the quality of our people and their on-going concern for our customers and our Wabash Valley home.

FIRST FINANCIAL CORPORATION
1985 ANNUAL REPORT

CONTENTS

To Our Shareholders, Our Customers and the Business Community:

The Wabash Valley's financial leader, **First Financial Corporation** (the holding company for Terre Haute First National Bank, First State Bank and Citizens State Bank), has shown record performance in asset and earnings growth over the past year. These accomplishments re-inforce First Financial Corporation's position as the area's leading financial institution. A 17.41% increase in assets to $615,315,508 and a 16.79% increase in earnings to $4,702,734 clearly makes 1985 a landmark year in our financial portfolio of achievements. The enclosed financial statements are of the Holding Company and its subsidiaries, Terre Haute First National Bank, First State Bank and Citizens State Bank. Our strong performance reflects the ability of our management staff to react to the competitive financial environment and to serve our customers with a multitude of financially secure banking services. These objectives were established in 1834 when the Bank was formed and will continue to be the values practiced by management. We are equally dedicated and committed to the growth and development of our financial service area.



On March 25th, 1985, First Financial Corporation became the new holding company name of Terre Haute First Corporation. Terre Haute First National Bank is the lead Bank in the newly named holding company. The officers and directors determined that Terre Haute, Indiana, will remain the home base of First Financial Corporation. Planning for the future and maintaining Terre Haute as the home office is part of the growth objective of the Board of Directors.

Keeping with our tradition of banking growth, First Financial Corporation purchased the Citizens State Bank with offices in Clinton, Cayuga and Newport, Indiana, on December 30th, 1985. A decision by the Board of Directors was made to retain the bank name and operate as a separate bank under the First Financial Corporation umbrella. The Citizens State Bank will continue to operate with local management and staff. In an effort to serve the Wabash Valley more efficiently, the Citizens State Bank acquisition will enable First Financial Corporation to serve Vigo, Clay and Vermillion counties and keep ownership in this area.

Our role as the area's financial leader will materialize this spring as Terre Haute First National Bank will break ground for a new main office building. Construction on the new building confirms Terre Haute First National Bank's commitment for growth and development to the downtown area.

The four story, 80,110 square foot building is scheduled for completion in 1988. The new main office building will incorporate all existing downtown offices (Main Office, 643 Wabash; 511 Branch, 511 Wabash; Mortgage Lending, 523 Wabash; and Direct Lending, 519 Wabash) into one facility to be located at the corner of Sixth and Wabash.

The new building will feature a public area with eleven teller stations, a safety deposit vault, a 24-hour outer lobby bank machine, a 24-hour drive-up bank machine and night drop, privacy for loan and new account interviewing, along with many other state-of-the-art features. The new building will also provide a five lane drive-up banking area, adequate parking for both customers and employees, Board Room, complete Trust and Investment Services, Commercial Lending and Leasing, Mortgage Lending, and Direct Lending Departments.

The contract for the building was awarded to HBE Bank Facilities, a design/build firm specializing in the financial field. HBE Facilities is a division of HBE Corporation, based in St. Louis, Missouri. Local trades will be subcontracted by HBE and with materials purchased locally. This major construction should provide jobs for our local labor base. The use of local materials and manpower, proves once again, Terre Haute First National Bank's philosophy on reinvesting in our community.

Customer services also expanded in 1985 with the development of our Executive Line of Credit, First Preferred Credit Line and the Visa/Gold Card. Custodial and trusteed Simplified Employee Pension Accounts (SEP'S) were added to the many options available for tax deferred investment accounts. These accounts, which are created by the employer, provide pension benefits without the complicated record keeping of other employee sponsored pension or profit sharing plans. Our Christmas Club Account further expanded in 1985 by paying customers 5½% interest. In October, 1985, Terre Haute First National Bank signed an agreement to become a part of the Cirrus National Network which will allow our FirstPlus 24-hour bank card holders to use their bank card throughout the United States beginning in October, 1986.

In addition to our growth in services, First Financial Corporation is growing with capable management personnel.

Terre Haute First National Bank's staff of officers was strengthened in 1985 when Michael P. Webster joined the Bank's Installment Lending Division as Assistant Vice President. Webster, a Terre Haute native, came to us from The Bank of Casey, Casey, Illinois, where he had served as Senior Vice President and Senior Lending Officer.

Top performance by our Terre Haute First staff also did not go unrecognized. At the November meeting of the Board of Directors, four Terre Haute First officers advanced. Michael P. Webster was named Vice President-Installment Lending, William M. Sims advanced to Assistant Vice President-Installment Lending, Phillip G. Wetzel was named Installment Lending Officer and Ronald R. McKee advanced to Collection Officer.

We would be remiss in not recognizing the 1985 retirement of three Terre Haute First staff members, Maxine Larue, Twila Snodgrass, and Mary Ruth Stewart. Together these employees served a total of 43 years with the Bank. Terre Haute First retirees continue to promote the Bank long after their retirement and their dedication and loyalty is greatly appreciated.

Looking ahead in 1986, First Financial Corporation is ready to accept new banking challenges while continuing to be based in the Terre Haute area. We pledge to you, our shareholders, customers and business community, we will continue serving the financial needs of the growing Wabash Valley as we have in the past.

Thank you for your support.

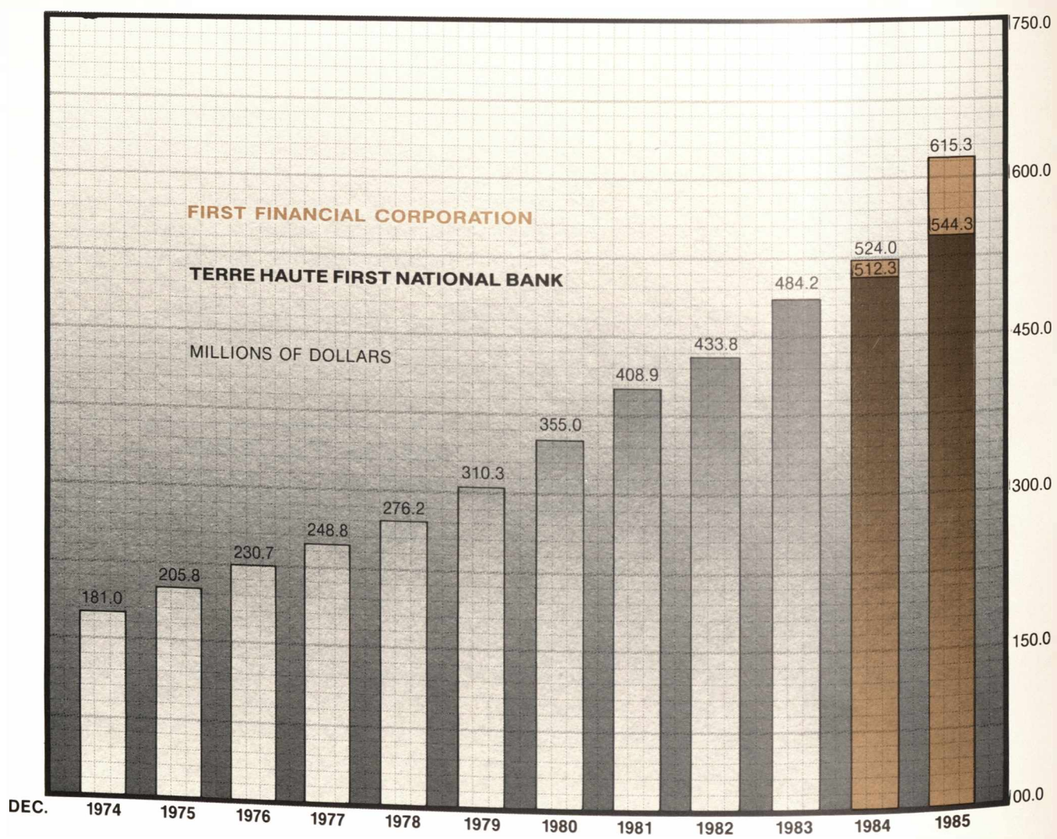
Respectfully,

Donald E. Smith

Donald E. Smith
President and Chief Executive Officer
First Financial Corporation

FINANCIAL HIGHLIGHTS

FOR THE YEAR	1985	1984	% Change
Net Interest Income	$ 19,045,702	$ 15,886,278	19.89%
Net Income	4,702,734	4,026,769	16.79
Net Income Per Share	9.67	8.18	18.22
Dividends Declared	874,911	882,936	(.91)
Cash Dividends Paid per Share	1.80	1.80	—
Interest Paid Depositors	31,330,666	32,122,503	(2.47)
AT YEAR END			
Assets	$615,315,508	$524,082,357	17.41
Deposits	534,092,346	462,679,241	15.43
Loans	295,574,238	266,530,077	10.90
Investments	195,207,941	161,682,090	20.74
Shareholders' Equity	36,082,550	32,317,502	11.65
Number of Shares Outstanding	485,485	486,588	(.23)
Book Value Per Share	74.32	66.42	11.89
Number of Shareholders	392	392	—
Number of Officers and Employees (Full Time Equivalent)	331	312	6.09



CONSOLIDATED STATEMENTS OF CONDITION

	December 31, 1985	December 31, 1984
ASSETS		
Cash and due from banks	$ 38,070,586	$ 40,144,417
Interest-bearing deposits with other banks	35,601,727	33,798,978
Federal funds sold and securities purchased under agreements to resell	28,850,000	5,775,000
Investments securities (market value of $196,994,000 for 1985 and $160,077,000 for 1984)	195,207,941	161,682,909
Loans:		
Commercial, financial and agricultural	113,143,365	107,040,752
Real estate - construction	4,042,112	3,759,593
Real estate - mortgage	110,224,109	96,759,103
Installment	65,272,787	58,223,416
Lease financing	14,011,304	11,822,222
	306,693,677	277,605,086
Less:		
Unearned income	(11,119,439)	(11,075,009)
Allowance for possible loan losses	(3,323,815)	(2,262,729)
	292,250,423	264,267,348
Accrued interest receivable	8,324,269	8,650,899
Restricted bond proceeds	6,495,728	—
Premises and equipment	6,914,412	6,175,346
Other assets	3,600,422	3,587,460
TOTAL ASSETS	$615,315,508	$524,082,357
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing	$ 91,514,500	$ 79,840,944
Interest-bearing:		
Certificates of deposit of $100,000 or more	76,941,553	76,803,025
Other interest-bearing deposits	365,636,293	306,035,272
	534,092,346	462,679,241
Short-term borrowings:		
Federal funds purchased and securities sold under agreements to repurchase	17,274,839	17,642,605
Treasury tax and loan open-end note	5,275,623	2,802,233
Note payable - bank	—	1,600,000
	22,550,462	22,044,838
Deferred federal income taxes	2,097,217	2,015,176
Other liabilities	5,892,933	5,025,600
Long-term debt	14,600,000	—
TOTAL LIABILITIES	579,232,958	491,764,855
Commitments and contingencies		
Shareholders' equity:		
Common stock, no par value; authorized 750,000 shares, issued 500,000 shares including treasury shares of 14,515 for 1985 and 13,412 shares for 1985	500,000	500,000
Additional capital	13,760,000	13,760,000
Retained earnings	22,425,329	18,597,506
Less treasury shares at cost	(602,779)	(540,004)
TOTAL SHAREHOLDERS' EQUITY	36,082,550	32,317,502
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$615,315,508	$524,082,357

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
	1985	1984	1983
INTEREST INCOME:			
Loans, including fees	$31,788,797	$29,379,834	$25,263,016
Investment securities:			
Taxable	13,514,002	14,271,699	11,470,789
Tax-exempt	2,121,061	2,109,586	2,046,780
	15,635,063	16,381,285	13,517,569
Other interest income	4,638,233	4,382,681	6,416,214
TOTAL INTEREST INCOME	52,062,093	50,143,800	45,196,799
INTEREST EXPENSE:			
Deposits	31,330,666	32,122,503	27,871,991
Short-term borrowings	1,685,725	2,135,019	3,078,402
TOTAL INTEREST EXPENSE	33,016,391	34,257,522	30,950,393
NET INTEREST INCOME	19,045,702	15,886,278	14,246,406
Provision for possible loan losses	1,852,000	794,000	650,000
NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN LOSSES	17,193,072	15,092,278	13,596,406
OTHER INCOME:			
Trust department income	566,336	448,423	444,499
Service charges on deposit accounts	529,964	546,725	530,634
Other service charges and fees	907,350	1,047,517	1,020,929
Investment securities gains (losses)	171,178	117,379	(27,751)
Other	148,085	213,622	182,416
	2,322,913	2,373,666	2,150,727
OTHER EXPENSES:			
Salaries and employee benefits	6,583,634	6,102,995	5,691,368
Occupancy expense	992,463	906,944	805,041
Equipment expense	766,402	687,964	608,205
Data processing expense	1,246,456	1,121,354	1,008,873
Intangibles tax	685,887	585,992	550,930
Other	3,854,039	3,423,926	3,153,406
	14,128,881	12,829,175	11,817,823
INCOME BEFORE FEDERAL INCOME TAXES	5,387,734	4,636,769	3,929,310
Federal income tax expense	685,000	610,000	505,000
NET INCOME	$ 4,702,734	$ 4,026,769	$ 3,424,310
Net income per share (based on weighted average number of shares outstanding)	$9.67	$8.18	$6.87

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Stock	Additional Capital	Retained Earnings	Treasury Stock	Total
Balance, January 1, 1983	$500,000	$13,760,000	$12,925,725	$ —	$27,185,725
Purchase of 4,042 shares of common stock for treasury	—	—	—	(166,126)	(166,126)
Net income	—	—	3,424,310	—	3,424,310
Cash dividends — $1.80 per share	—	—	(896,362)	—	(896,362)
Balance December 31, 1983	500,000	13,760,000	15,453,673	(166,126)	29,547,547
Purchase of 9,370 shares of common stock for treasury	—	—	—	(373,878)	(373,878)
Net income	—	—	4,026,769	—	4,026,769
Cash dividends — $1.80 per share	—	—	(882,936)	—	(882,936)
Balance December 31, 1984	500,000	13,760,000	18,597,506	(540,004)	32,317,502
Purchase of 1,103 shares of common stock for treasury	—	—	—	(62,775)	(62,775)
Net income	—	—	4,702,734	—	4,702,734
Cash dividends - $1.80 per share	—	—	(874,911)	—	(874,911)
Balance, December 31, 1985	$500,000	$13,760,000	$22,425,329	$(602,779)	$36,082,550

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

	Year Ended December 31,		
	1985	1984	1983
SOURCE OF FUNDS:			
Net income	$ 4,702,734	$ 4,026,769	$ 3,424,310
Charges (credits) to income not requiring current outlay of funds:			
Provision for depreciation and amortization	909,284	645,338	578,934
Provision for possible loan losses	1,852,000	794,000	650,000
Provision for deferred federal income taxes	30,577	315,605	(37,950)
Net amortization of premiums on investment securities	398,538	334,679	456,435
Total from operations	7,893,133	6,116,391	5,071,729
Decrease in:			
Cash and due from banks	4,161,960		
Federal funds sold and securities purchased under agreements to resell	—	26,710,000	—
Accrued interest receivable	326,630	—	—
Other assets	780,837	—	—
Increase in:			
Deposits	29,963,951	57,707,903	39,619,741
Short-term borrowings	505,624	—	7,515,188
Long-term debt	14,600,000	—	—
Other liabilities	340,061	(478,635)	868,071
	$58,572,196	$90,055,659	$53,074,729
APPLICATION OF FUNDS:			
Acquisition of Citizens State Bank:			
Loans	$14,810,742	$ —	$ —
Investments	29,786,320	—	—
Deposits	(41,449,154)	—	—
Other, net	4,852,092	—	—
Increase in:			
Cash and due from banks	—	5,907,015	1,489,262
Interest-bearing deposits with other banks	1,802,749	11,620,631	(27,624,135)
Federal funds sold and securities purchased under agreements to resell	21,575,000	—	21,070,000
Investment securities	4,137,249	11,495,770	35,234,430
Loans	15,024,334	35,479,160	20,266,026
Accrued interest receivable	—	604,725	1,115,690
Restricted bond proceeds	6,495,728	—	—
Other assets	—	2,102,292	(148,007)
Decrease in:			
Short-term borrowings	—	20,413,757	—
Additions to premises and equipment	599,450	1,175,495	608,975
Cash dividends	874,911	882,936	896,362
Purchase of treasury stock	62,775	373,878	166,126
	$58,572,196	$90,055,659	$53,074,729

The accompanying notes are an integral part of the financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES:

Organization

The consolidated financial statements of First Financial Corporation (formerly Terre Haute First Corporation) and its subsidiaries (the Corporation) include the accounts of the parent company and its wholly-owned subsidiaries, Terre Haute First National Bank (First National), First State Bank in Clay County, Indiana (First State), and Citizens State Bank of Newport, Indiana (Citizens). The Corporation acquired Citizens in December 1985 (see Note 2). First State was formed in August 1984 when it purchased certain assets totaling approximately $11,400,000 and assumed deposit liabilities of $12,200,000 of another bank under an agreement with the Federal Deposit Insurance Corporation. The Corporation provides banking services to the domestic market.. All significant intercompany balances and transactions have been eliminated.

Investment Securities

Investment securities are stated at cost adjusted for amortization of premium and accretion of discount. Gains and losses on the sale of investment securities are based on the adjusted cost of the specific security.

Loans

Interest income on commercial and mortgage loans is recorded as earned. Interest income on installment loans is recorded principally by the sum-of-the-months-digits method. Accrual of interest is suspended for those loans where serious doubt exists as to collectibility.

Allowance for Possible Loan Losses

The allowance for possible losses is maintained at a level considered adequate to provide for potential loan losses and is based on management's evaluation of potential losses in the loan portfolio, as well as prevailing and anticipated economic conditions.

Lease Financing

First National provides equipment financing to customers through a variety of lease arrangements. Direct and leveraged financing leases are carried at the aggregate of lease payments receivable plus estimated residual values. Unearned income on direct and leveraged financing leases is amortized over the lease terms resulting in an approximate level rate of return.

Premises and Equipment

Premises and equipment are recorded on the basis of cost less accumulated depreciation. The provision for depreciation is computed by the declining-balance and straight-line methods over the estimated useful lives of the assets. Any gain or loss on the retirement of assets, which was not significant in 1985, 1984 or 1983, is recognized currently.

Federal Income Taxes

Federal income taxes are deferred for timing differences between pre-tax accounting income and taxable income. The investment tax credit resulting from expenditures for premises and equipment purchased for the Corporation's own use is recognized using the flow-through method by reducing federal income tax in the year the asset is placed in service. The investment tax credit relating to assets owned and leased to others is deferred and amortized over the lease term.

Employee Retirement Plan

Expenses of the Corporation's pension plan are funded currently and computed actuarially to include normal costs and amortization of prior service costs over ten years.

Reclassifications

Certain amounts in the 1984 and 1983 financial statements have been reclassified to conform with the 1985 presentation.

2. ACQUISITION OF CITIZENS:

On December 30, 1985, the Corporation consummated a merger of its wholly-owned subsidiary with Citizens and acquired control of the successor to the merger. Citizens was acquired for an aggregate purchase price of $11,000,000 in cash. Subsequent to the acquisition the Board of Directors of Citizens declared and paid a $3,000,000 cash dividend to the Corporation. At the date of acquisition, the fair value of Citizens assets and liabilities, which are included in the Corporation's 1985 consolidated statement of condition, was approximately $53,000,000 and $42,000,000, respectively.

The acquisition has been accounted for as a purchase and, accordingly, the Corporation' s consolidated statements of income do not include the results of operations of Citizens prior to the acquision date. Because the fair value of the net assets acquired approximated the purchase price, goodwill recorded as a result of the transaction is not material. The Corporation entered into a long-term debt agreement to finance a portion of the purchase price, see Note 8.

Below is supplemental unaudited pro forma financial information showing consolidated net interest income, and earnings per share for the Corporation, as if the acquisition had occurred at the beginning of each of the years 1985 and 1984.

	1985	1984
NET INTEREST INCOME	$20,361,000	$17,018,000
NET INCOME	$ 5,085,000	$ 4,368,000
NET INCOME PER SHARE	$ 10.46	$ 8.87

3. RESTRICTIONS ON CASH AND DUE FROM BANKS:

First National is required to maintain average reserve balances with the Federal Reserve Bank. The amount of those reserve balances for the period including December 31, 1985 was approximately $9,919,000.

4. INVESTMENT SECURITIES:

Investment securities are summarized as follows:

	December 31,			
	1985		1984	
	Carrying Amount	Market Value	Carrying Amount	Market Value
United States Government	$ 61,518,142	$ 62,955,789	$ 66,512,065	$ 67,283,040
United States Govt. agencies	38,669,061	39,386,610	26,730,934	26,339,053
State and municipal	47,168,935	46,925,238	33,325,465	30,236,865
Corporate bonds	47,851,803	47,726,259	36,114,445	36,217,831
TOTAL	$195,207,941	$196,993,896	$162,682,909	$160,076,789

Investment securities amounting to approximately $16,450,462 at December 31, 1985 were pledged as collateral for borrowings and for other purposes.

5. LOANS

In the normal course of business, the subsidiary banks grant loans to directors and executive officers and to their associates. These related party loans are, in the opinion of management, made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated persons and do not involve more than the normal risk of collectibility. In 1985 the aggregate dollar amount of these loans to directors and executive officers who held office at the end of the year amounted to $8,979,474 at the beginning of the year. During 1985, advances of $25,064,959 and repayments of $22,679,563 were made with respect to related party loans for an aggregate dollar amount of $11,364,870 at December 31, 1985. The amount of such loans aggregated $8,905,548 at December 31, 1984.

6. ALLOWANCE FOR POSSIBLE LOAN LOSSES:

Changes in the allowance for possible loan losses are summarized as follows:

	1985	1984	1983
Balance at beginning of year	$2,262,729	$1,957,377	$2,168,379
Provision for possible loan losses	1,852,000	794,000	650,000
Recoveries of loans previously charged off	340,396	454,762	193,966
Loans charged off	(1,679,305)	(943,410)	(1,054,968)
Allowance of acquired subsidiary	547,995	—	—
BALANCE AT END OF YEAR	$3,323,815	$2,262,729	$1,957,377

7. PREMISES AND EQUIPMENT:

Premises and equipment are summarized as follows:

	December 31,	
	1985	1984
Land	$ 1,905,793	$ 1,789,203
Building and leasehold improvements	5,751,798	4,955,515
Furniture and equipment	4,917,640	4,562,311
	12,575,231	11,307,029
Less accumulated depreciation	5,660,819	5,131,683
TOTAL	$ 6,914,412	$ 6,175,346

8. LONG-TERM DEBT:

Long-term debt at December 31, 1985 consists of:

Term promissory note	$ 8,000,000
City of Terre Haute, Indiana adjustable tender economic development revenue bonds, series 1985	6,600,000
TOTAL	$14,600,000

The term promissory note requires annual graduated principal payments plus interest beginning February 1, 1987 through 1996. The interest rate which was 9.5% at December 31, 1985, is equal to the lending institution's base rate. The note is collaterilized by all of the stock of Citizens State Bank of Newport, Indiana.

The economic development bonds were issued by the City of Terre Haute, Indiana (the City). The bond proceeds are to be used to finance the acquisition, construction and installation of an office building (the Project) for use by the Corporation. The Corporation is obligated to repay the bond proceeds, plus interest, and is to create a mortgage lien and security interest in the Project for the benefit of the bondholders. The interest rate on the bonds is to be adjusted periodically based on the frequency selected by the bondholder at the date of purchase. The interest rate, which was 6.875% at December 31, 1985, is determined by a formula which considers rates for comparable bonds.

The bonds mature December 1, 2015. After March 12, 1986, a bondholder may periodically require earlier redemption. The Corporation may use funds available under a $6,600,000 letter of credit from another financial institution to repay the principal portion of bonds redeemed during the term of the letter of credit. The letter of credit expires December 15, 1990. Funds advanced under the letter of credit are due five years from the date of the advance.

The schedule below, which shows principal maturities of the long-term debt described above, assumes that any redemptions required under the economic development bonds will be funded by the letter of credit.

1986	$ —
1987	350,000
1988	450,000
1989	550,000
1990	650,000
Later years	12,600,000
TOTAL	$14,600,000

9. FEDERAL INCOME TAXES:

Federal income tax expense is summarized as follows:

	1985	1984	1983
Current	$654,423	$294,395	$542,950
Deferred	30,577	315,605	(37,950)
TOTAL	$685,000	$610,000	$505,000

Timing differences in the recognition of revenue and expense for tax and financial reporting purposes resulted in deferred income taxes as follows:

	1985	1984	1983
Provision for possible loan losses	$ (242,462)	$ (134,237)	$ 97,061
Lease financing	200,957	305,796	(191,571)
Accretion of discount on investment securities	(8,690)	(19,343)	(86,869)
Other	80,772	163,389	143,429
TOTAL	$ 30,577	$ 315,605	$ (37,950)

The reconciliation of federal income tax expense with the amount computed by applying the statutory federal income tax rate to income before federal income taxes is summarized as follows:

	1985	1984	1983
Federal income taxes computed at the statutory rate	$2,478,357	$2,132,914	$1,807,482
Add (deduct) tax effect of:			
Nontaxable income from tax-exempt securities and loans	(1,697,279)	(1,405,299)	(1,261,510)
Investment tax credit	(123,570)	(70,578)	(48,761)
Other items, net	27,492	(47,037)	7,789
	(1,793,357)	(1,522,914)	(1,302,482)
TOTAL	$ 685,000	$ 610,000	$ 505,000

10. DIVIDEND LIMITATION:

At December 31, 1985 approximately $5,533,000 of undistributed earnings of First National, included in consolidated retained earnings, were available for distribution to the parent company as dividends without regulatory approval. In practice the Corporation further limits dividends to maintain adequate capital.

11. EMPLOYEE RETIREMENT PLAN:

The Corporation has a noncontributory retirement plan covering eligible employees of First National and First State. Expenses of the plan for the years ended December 31, 1985, 1984 and 1983 were approximately $410,000, $455,000 and $423,000, respectively.

Accumulated plan benefit information, as estimated by consulting actuaries, and plan net assets as of January 1 (the latest valuation date) are summarized as follows:

	1985	1984
Actuarial present value of accumulated plan benefits:		
Vested	$3,680,059	$3,801,570
Nonvested	302,371	339,220
Total	$3,982,430	$4,140,790
Net assets available for benefits	$5,872,778	$5,030,032

The assumed rate of return used in determing the actuarial present value of accumulated plan benefits was 7% for 1985 and 6% for 1984.

12. COMMITMENTS AND CONTINGENCIES:

First National is obligated under an electronic data processing service contract, expiring January 1991. The contract requires minimum annual fees approximating $1,300,000 annually from 1986 through 1990.

At December 31, 1985 standby letters of credit outstanding were approximately $3,897,000.

In normal course of business, the Corporation is subject to various claims and other pending and possible legal actions. Management believes that the results of these claims and possible legal actions will not have a material adverse effect on the Corporation's financial position.

13. PARENT COMPANY CONDENSED FINANCIAL STATEMENTS:

The parent company's condensed statements of condition as of December 31, 1985 and 1984, and the related condensed statements of income and changes in financial position for each of the three years in the period ended December 31, 1985 are as follows:

STATEMENTS OF CONDITION

ASSETS

	December 31, 1985	December 31, 1984
Cash on deposit with First National*	$ 433,904	$ 91,929
Dividends receivable First National*	—	500,000
Investment in First National*	32,200,801	32,121,128
Investment in First State*	1,622,184	1,614,312
Investment in Citizens*	8,000,000	—
Restricted bond proceeds	6,495,728	—
Other	381,270	52,812
TOTAL ASSETS	$51,133,887	$34,380,181

LIABILITIES AND SHAREHOLDERS' EQUITY

	1985	1984
Liabilities:		
Notes payable - bank	$ —	$ 1,600,000
Long-term debt (see Note 8)	14,600,000	—
Dividends payable	436,889	437,929
Other	14,448	24,750
TOTAL LIABILITIES	15,051,337	2,062,679
Shareholders' equity:		
Common stock	500,000	500,000
Additional capital	13,760,000	13,760,000
Retained earnings	22,425,329	18,597,506
Cost of common stock in treasury	(602,779)	(540,004)
TOTAL SHAREHOLDERS' EQUITY	36,082,550	32,317,502
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$51,133,887	$34,380,181

*Eliminated in consolidation

STATEMENTS OF INCOME AND RETAINED EARNINGS

	Year ended December 31,		
	1985	1984	1983
Income:			
Dividends from subsidiaries*	$ 2,700,000	$ 1,450,000	$ 1,130,000
Other income	—	—	1,675
TOTAL INCOME	2,700,000	1,450,000	1,131,675
Expenses:			
Interest on short-term borrowings	87,533	77,905	2,100
Other operating expenses	69,019	16,216	17,385
TOTAL OPERATING EXPENSES	156,552	94,121	19,485
Income before income taxes and equity in undistributed earnings of bank subsidiaries	2,543,448	1,355,879	1,112,190
Federal income tax credit	71,742	43,296	—
Income before equity in undistributed earnings of bank subsidiaries	2,615,190	1,399,175	1,112,190
Equity in undistributed earnings of bank subsidiaries*	2,087,544	2,627,594	2,312,120
NET INCOME	4,702,734	4,026,769	3,424,310
Retained earnings at beginning of year	18,597,506	15,453,673	12,925,725
	23,300,240	19,480,442	16,350,035
Cash dividends	874,911	882,936	896,362
Retained earnings at end of year	$22,425,329	$18,597,506	$15,453,673

*Eliminated in consolidation

STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year ended December 31,		
	1985	1984	1983
Source of funds:			
Net income	$ 4,702,734	$4,026,769	$3,424,310
Equity in undistributed net income of bank subsidiaries*	2,087,544	2,627,594	2,312,120
TOTAL FROM OPERATIONS	2,615,190	1,399,175	1,112,190
Dividend from Citizens	3,000,000	—	—
Dividend from First National	500,000	—	
Proceeds from short-term borrowings	—	1,600,000	240,000
Proceeds of long-term debt	14,600,000	—	—
Increase in liabilities	—	16,270	46,409
	$20,715,190	$3,015,445	$1,398,599
Application of funds:			
Increase in cash	$ 341,975	$ 55,334	$36,595
Increase in restricted bond proceeds	6,495,728	—	—
Increase in dividends receivable from First National	—	50,000	50,000
Increase in other assets	328,458	43,296	9,516
Payments on short-term borrowings	1,600,000	—	240,000
Decrease in liabilities	11,343	—	—
Investment in First State	—	1,610,001	—
Investment in Citizens	11,000,000	—	—
Cash dividends	874,911	882,936	896,362
Purchase of treasury stock	62,775	373,878	166,126
	$20,715,190	$3,015,445	$1,398,599

*Eliminated in consolidation

Coopers & Lybrand

certified public accountants

To the Shareholders and Board of Directors
First Financial Corporation

We have examined the consolidated statements of condition of First Financial Corporation and subsidiaries as of December 31, 1985 and 1984, and the related consolidated statements of income, shareholders' equity and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The financial statements of First Financial Corporation and subsidiaries for the year ended December 31, 1983 were examined by other auditors, whose report, dated January 20, 1984 expressed an unqualified opinion on those statements.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of First Financial Corporation and subsidiaries at December 31, 1985 and 1984, and the consolidated results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied during the period and on a basis consistent with that of the preceding year.

Coopers & Lybrand

Indianapolis, Indiana
January 30, 1986

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following information provides management's discussion and analysis of First Financial Corporation's financial condition and the results of its operations. The information presented should be read in conjunction with the audited financial statements and related footnotes appearing elsewhere in this report.

First Financial Corporation, an Indiana Corporation, (the Corporation) was organized as a bank holding company in February 1983 under approval from the Federal Reserve Board. During 1983, First Financial (which was then Terre Haute First Corporation), issued 500,000 shares of its stock for all of the outstanding stock of Terre Haute First National Bank. The Corporation, which is headquartered in Terre Haute, Indiana, offers a wide variety of financial services including commercial and consumer lending, lease financing, trust account services and depositor services through its three subsidiaries. The Corporation's two state bank subsidiaries are First State Bank in Clay County and Citizens State Bank of Newport, Indiana. All of the subsidiaries are wholly owned. At the close of business in 1985, the Corporation and its subsidiaries had 331 employees.

Terre Haute First National Bank is the largest bank in Vigo County. At the close of business in 1985, it had approximately 55% of the total deposits and over 60% of the total loans of the banks within the county. It operates ten full-service banking branches within the Terre Haute, Indiana area. In addition to its branches, it has three other offices in downtown Terre Haute and a 44,000 square foot operations center in a suburban area of Terre Haute.

First State Bank, located in Clay County, was organized in August, 1984, when the Corporation acquired certain assets and assumed the deposit liabilities of a troubled bank from the Federal Deposit Insurance Corporation (FDIC). Under the purchase and assumption agreement with the FDIC, First State Bank was given approximately $9,000,000 in cash by the FDIC for the difference between the assets it chose to retain and the deposit liabilities it accepted. First State Bank has two branch locations in Clay County, a county contiguous to Vigo County. Citizens State Bank of Newport, Indiana (Citizens) was acquired by the Corporation in December, 1985. Citizens has three branches, all of which are located in Vermillion County, a county contiguous to Vigo County.

The Corporation faces competition to its principal subsidiary from other financial institutions in Vigo County. These competitors include two commercial banks, a mutual savings bank, other financial institutions, including consumer finance companies, credit unions and savings and loan associations. The two state bank subsidiaries face similar competition in Clay and Vermillion County, their primary market areas. The Corporation's business activities are centered in west central Indiana. The Corporation has no foreign activities other than periodically investing available funds in time deposits held in foreign branches of domestic banks.

RESULTS OF OPERATIONS - SUMMARY FOR 1985

Net income for 1985 reached a record high of $4,702,734 or $9.67 per share. This is a 16.8% increase over the net income of $4,026,769 for 1984. The record earnings in 1985 follow an increase of 17.6% in net income of 1984 over the $3,424,310 reported for 1983. The principal factor resulting in the higher earnings for 1985 was an increase in the Corporation's net interest income which increased to $19,405,702 compared to $15,886,278 for 1984. The significant increase in net interest income was partially offset by an increase in the Corporation's provision for possible loan losses and higher operating expenses.

The increased earnings for 1985 produced a return on average assets of .89%, compared to .84% for 1984. At the end of 1985 the Corporation's shareholders equity stands at $36,082,550 compared to $32,317,502 at the end of 1984. The primary components of income and expense affecting net income are discussed in the following analysis.

Net Interest Income

The principal source of the Corporation's earnings is net interest income, which represents the difference between interest earned on loans and investments and the interest cost associated with deposits and other sources of funding.

On a taxable equivalent basis net interest income increased $3,489,000 in 1985 from $18,669,000 in 1984 to $22,158,000 for 1985. The increase resulted from improvements in both volume and rates. The improvements in volume resulted from increases in average interest earning assets as they increased from $437,822,000 in 1984 to $482,079,000 in 1985. The net yield on interest earning assets increased thirty-four basis points from 4.26% in 1984 to 4.60% in 1985.

The following table sets forth in detail the changes in net interest income due to changes in volume and rate. The table information compares 1985 to 1984 and 1984 to 1983.

	1985 Compared to 1984 Increase (Decrease) Due to (1)			1984 Compared to 1983 Increase (Decrease) Due to (1)		
	Volume	Rate	Total	Volume	Rate	Total
	(In Thousands of dollars)					
Interest earned on:						
Loans (2)	$4,458	$(1,789)	$2,669	$3,179	$1,345	$4,524
Taxable investment securities	(37)	(766)	(803)	3,278	(480)	2,798
Nontaxable investment securities (2)	(122)	228	106	(195)	309	114
Federal funds sold and securities purchased under agreement to resell	51	(575)	(524)	(1,269)	374	(895)
Interest-bearing deposits:						
Domestic	794	(176)	618	753	127	880
Foreign	350	(187)	163	(2,116)	72	(2,044)
Total interest-earning assets	5,350	(3,121)	2,229	3,630	1,747	5,377
Interest paid on:						
Savings deposits	732	(462)	270	322	267	589
Time deposits	2,687	(3,751)	(1,064)	3,1666	508	3,674
Federal funds purchased and securities sold under agreement to repurchase	90	(548)	(458)	(1,157)	210	(947)
Other	151	(159)	(79)	83	4	
Total interest-bearing liabilities	3,660	(4,920)	(1,260)	2,252	1,068	3,320
Net interest income	$1,690	$1,799	$3,489	$1,378	$ 679	$2,057

(1) The change in interest due to both rate and volume has been allocated to volume and rate changes in proportion to the relationship of the absolute dollar amounts of the change in each.
(2) Changes in interest income include the effect of tax equivalent adjustments using a tax rate of 46% percent.

Provision for Possible Loan Losses

The provision for possible loan losses is established by charging current earnings with an amount which will maintain the allowance for possible loan losses at a level sufficient to provide for potential losses in the Corporation's loan protfolio. Management considers several factors in determing the provision, including loss experience, changes in the composition of the portfolio, the financial condition of borrowers, economic trends, and general economic conditions.
The provision for possible loan losses totalled $1,852,000 for 1985 compared to $794,000 for 1984. The provision was increased in 1985 primarily because of higher net charge-offs. Net charge-offs in 1985 totalled $1,338,909 compared to $488,648 in 1984. At December 31, 1985, the resulting allowance for possible losses was $3,323,815 or 1.12% of total loans, net of unearned income. A year earlier the allowance was .85% of total loans. At December 31, 1985, total loans and the allowance for loan losses include amounts for Citizens State Bank of Newport, Indiana which was acquired December 30, 1985. The loans and allowance for possible loan losses of Citizens included in the Corporation's consolidated balances were $15,358,737 and $547,995 respectively, at December 31, 1985.

Other Income

Other income declined in 1985 to $2,322,913 from $2,373,666 earned in 1984. Increases in trust department income of $117,913 or 26% and gains on the sale of investments of $53,799 or 46% were offset by decreases in other service charges and fees, service charges on deposit amounts and other income. The decreases in these three other income components totalled $222,465 or 12.1%.

Other Expenses

Other expenses totalled $14,128,881 for 1985 compared to $12,829,175 for 1984. This represents an increase of $1,299,706 or 10.1% for 1985. All components of other expenses including salaries and benefits, and data processing expense, increased for 1985.

Comparison of 1984 to 1983

Net income increased $602,459 in 1984 to $4,026,769 from $3,424,310 reported in 1983. Improved net interest income was the principal reason for the improvement in earnings. Net interest income on a tax equivalent basis increased $2,057,000, with the majority of the increase due to increases in volume.

Other income increased $322,939 or 10.4% in 1984 over 1983. The primary component which resulted in the increase was investment security gains. The gains were $117,379 in 1984 compared to losses of $27,751 in 1983. Other expenses increased $1,011,352 in 1984 or 8.6% over the 1983 amounts. All components of other expense increased, including salaries and employee benefits which increased by $411,627.

FINANCIAL CONDITION - SUMMARY

For 1985, the Corporation's total assets increased to a record $615,315,508 at December 31, 1985 up from $524,082,357 reported a year earlier. Total deposits, which reflect increases by internal growth and the acquisition of Citizens State Bank of Newport, Indiana, increased from $462,679,241 at December 31, 1984, to $534,092,346 at December 31, 1985. Long-term debt at December 31, 1985 stood at $14,600,000. The debt was increased by funds borrowed to finance a portion of the acquisition cost of Citizens and by an economic development revenue bond which will be used to finance the construction of an office building in downtown Terre Haute. The building will house the Corporation's headquarters. Total shareholders' equity at December 31, 1985, was $36,082,550 compared to $32,317,502 a year earlier. Following is an analysis of the components of the Corporation's balance sheet.

Investment Portfolio

The maturity distribution of the Corporation's investment portfolio at December 31, 1985 and the carrying value of investments at December 31, 1985, 1984 and 1983 are presented below. Also shown for 1985 are the weighted average yields computed on a tax equivalent basis assuming a tax rate of 46%. The investments acquired as a result of the acquisition of Citizens in December 1985 is the primary reason for the increase in tax exempt obligations from 1984 to 1985.

	Within One Year Amount	After One But Within Five Years Amount	After One But Within Ten Years Amount	After Ten Years Amount	Total 1985	Total 1984	Total 1983
	(In thousands of dollars)						
U.S. Treasury and other U.S. Government agencies	$42,928	$48,383	$ 4,024	$ 4,852	$100,187	$ 92,243	$ 94,208
States and municipal	3,232	20,711	16,338	6,888	47,169	33,326	33,481
Corporate bonds	29,822	13,852	2,308	1,870	47,852	36,114	22,833
TOTAL	$75,982	$82,946	$22,670	$13,610	$195,208	$161,683	$150,522
Weighted Average Yields	9.73%	10.81%	12.21%	12.54%			

Loan Portfolio

Loans outstanding by major category as of December 31 for each of the last five years and the maturities and interest sensitivity of the loans outstanding at December 31, 1985 are set forth in the following analysis.

Loan Category	1985	1984	1983	1982	1981
	(In thousands of dollars)				
Commercial, financial and agricultural	$113,143	$107,041	$ 89,746	$ 76,576	$ 55,677
Real estate—construction	4,042	3,760	2,245	3,291	1,924
Real estate—mortgage	110,224	96,759	85,880	78,738	82,556
Installment	65,273	58,223	55,412	55,898	61,923
Lease financing	14,012	11,822	8,905	9,617	10,120
TOTAL	$306,694	$277,605	$242,188	$224,120	$212,200

Maturity Distribution	Within One Year	After One But Within Five Years	After Five Years	Total
	(In thousands of dollars)			
Commercial, financial and agricultural	$62,628	$26,178	$24,337	$113,143
Real estate—construction	1,429	2,089	524	4,042
TOTAL	$64,057	$28,267	$24,861	$117,151
Real estate—mortgage				110,224
Installment				65,273
Lease financing				14,012
TOTAL LOANS				$306,694
Loans maturing after one year with:				
Fixed interest rates		$15,146	$12,872	
Variable interest rate		12,921	11,989	
TOTAL		$28,267	$24,861	

Allowance for Possible Loan Losses

The activity in the Corporation's allowance for possible loan losses is shown in the following analysis.

	1985	1984	1983	1982	1981
	(In thousands of dollars)				
Amount of loans outstanding at December 31	$306,694	$277,605	$242,188	$224,120	$212,200
Average amount of loans by year	$272,824	$237,899	$211,839	$199,949	$191,763
Allowance for possible loan losses at beginning of year	$ 2,263	$ 1,957	$ 2,169	$ 1,758	$ 1,983
Loans charged off:					
Commercial, financial and agricultural	881	468	409	49	237
Real estate—construction	—	—	—	—	—
Real estate—mortgage	117	42	74	11	6
Leasing	218	315	—	—	—
Total loans charges off	1,679	943	1,055	509	1,197
Recoveries of loans previously charged off:					
Commercial, financial, and agricultural	50	337	50	117	56
Real estate—construction	—	—	—	—	—
Real estate—mortgage	6	7	29	9	5
Installment	165	110	114	174	308
Leasing	119	1	—	—	—
Total recoveries	340	455	193	300	369
Net loans charged off	1,339	488	862	209	828
Provision charged to expense	1,852	794	650	620	603
Allowance of acquired subsidary	548	—	—	—	—
Balance at end of year	$ 3,324	$ 2,263	$ 1,957	$ 2,169	$ 1,758
Ratio of net charge-offs during period to average loans outstanding	.49%	.21%	.41%	.10%	.43%

Under-Performing Loans

Management monitors the components and status of underperforming loans as a part of the evaluation procedures used in determining the adequacy of the allowance for possible losses. It is the Corporation's policy to discontinue the accrual of interest on loans where in management's opinion serious doubt exists as to collectability. The amounts shown below represent nonaccrual loans, loans which have been restructured to provide for a reduction or deferral of interest or principal because of deterioration in the financial condition of the borrower and those loans which are past due where the Corporation continues to accrue interest. The interest income for nonaccrual and restructured loans that would have been recorded in 1985 and 1984 under the original terms of the loans is $104,000 and $135,000, respectively. The Corporation recorded interest income on such loans in the amounts of $39,000 and $73,000 for 1985 and 1984, respectively.

	December 31				
	1985	1984	1983	1982	1981
	(In thousands of dollars)				
Nonaccrual loans	$ 943	$1,162	$ 611	$ 989	$ —
Restructured loans	47	335	383	1,121	—
	990	1,497	994	2,110	
Accruing loans past due (1)	3,940	1,843	1,562	1,222	5,097
	$4,930	$3,340	$2,556	$3,332	$5,097

(1) For 1982 through 1985, loans reported as past due are 90 days or more delinquent. For 1981, loans 30 days or more delinquent are considered past due.

Deposits

Total deposits grew in 1985 to an all time high of $534,092,346 at December 31, 1985 compared to $462,679,241 at 1984. The deposits at the end of 1985 include approximately $41,450,000 of Citizens State Bank of Newport, Indiana which was acquired in December 1985. Exclusive of the Citizens deposits, the major contribution to deposit growth in 1985 was in time deposits. The information below presents the average amount of deposits and rates paid on those deposits for 1985, 1984 and 1983.

	1985		1984		1983	
	Amount	Rate	Amount	Rate	Amount	Rate
	(In thousands of dollars)					
Non-interest-bearing demand deposits	$64,872		$62,091		$59,759	
Interest-bearing demand	67,404	6.04%	54,401	6.88%	43,790	6.59%
Savings deposits	48,306	5.28	49,347	5.28%	54,475	5.28
Time deposits:						
$100,000 or more	75,785	8.07	65,269	10.00%	54,272	8.81
Other time deposits	208,679	8.91	192,333	10.00%	171,045	10.13
TOTALS	$465,046		$423,441		$383,341	

The maturities of certificates of deposit of $100,000 or more outstanding at December 31, 1985 are summarized as follows (in thousands of dollars):

3 months or less	$57,252
Over 3 through 6 months	15,691
Over 6 through 12 months	2,296
Over 12 months	1,702
TOTAL	$76,941

Short-Term Borrowings

A summary of the Corporation's short-term borrowings at December 31, 1985, 1984 and 1983 is presented below:

	1985	1984	1983
	(In thousands of dollars)		
Federal Funds Purchased	$10,935	$ 8,855	$ 2,2470
Securities Sold Under Agreements to Repurchase	6,340	8,787	37,570
Other Short-Term Borrowings	5,276	4,402	2,419
	$22,551	$22,044	$42,459

The amounts and interest rates related to federal funds purchased and securities sold under agreements to repurchase are presented below.

	1985	1984	1983
	(In thousands of dollars)		
Average amount outstanding	$19,141	$18,384	$31,554
Maximum amount outstanding at a month end	25,086	24,920	41,255
Average interest rate during year	7.21%	9.91%	8.78%
Interest rate at year end	9.21	8.15	9.09

Capital Resources

Shareholders' equity increased $3,765,048 or 11.65% to $36,082,550 from the $32,317,502 reported in the preceding year.

First Financial Corporation's objective is to maintain adequate capital to merit the confidence of its customers and shareholders. To warrant this confidence the Corporation's management maintains a capital position which it believes is sufficient to absorb unforeseen financial shocks without unnecessarily restricting dividends to its shareholders. The Corporation's dividend payout ratio for 1985 and 1984 was 18.6% and 21.9%, respectively. The Corporation expects to continue its policy of paying regular cash dividends, subject to future earnings and regulatory restrictions and capital requirements.

Using regulatory authorities' computation for primary capital, the Corporation's ratio of primary capital to total assets at December 31, 1985 and 1984 was 6.4% and 6.6% respectively. The current minimum regulatory primary capital ratio is 6%.

The Corporation will begin construction of a new office building in downtown Terre Haute during 1986. The construction project, which will eventually house the Corporation's headquarters, is to be funded by an economic development bond for $6,600,000. The obligation for the bond is included in the Corporation's long-term debt at December 31, 1985. Based on present plans, the funds from the economic development bond are expected to be sufficient to fund the project. If changes to present plans necessitate additional funds, the Corporation anticipates additional external funding will be available for the project.

Interest Rate Sensitivity and Liquidity

First Financial Corporation holds its three subsidiary banks responsible for monitoring each bank's sensitivity and fluctuations in interest rates and assuring that each bank has adequate liquidity to meet loan requirements and deposit withdrawals of its customers. Each bank meets these responsibilities through the activities of its Asset/Liability Committee.

At the lead bank, Terre Haute First National Bank, (THFNB), the committee on a monthly basis reviews a microcomputer model that projects interest and growth assumptions, earnings estimates, static gap analysis over various time intervals, and a dynamic gap analysis that reflects interest sensitivity over time increments out to one year. A liquidity report, which was developed by the Comptroller of the Currency, is also reported to the Committee. With information from the model, forecasts of economic trends and interest rate projections, the Committee develops the strategy for pricing deposits and the terms, rates, and concentrations emphasized for loans and investments. Because of the relative size of the three banks, the sensitivity and liquidity strategy is coordinated through THFNB. The other banks monitor their position through regulatory reporting of their asset/liability position.

During the first six months of 1986 the Corporation has assets totaling $224,516,000 that will be repriced or mature. During that same period, $216,576,000 of liabilities will be repriced or mature. To assist in meeting its liquidity needs the Corporation has $76,000,000 of investment securities which will mature in 1986. These securities and interest-bearing deposits with other banks, which are short-term in nature, are expected to provide adequate liquidity to fund loan growth and possible deposit fluctuations.

Effects of Inflation

The effects of inflation on an enterprise's reported results of operation vary depending on the components of the enterprises assets and liabilities. Except for a bank's premises and equipment, which comprise a relatively small portion of total assets, a bank's assets and liabilities are primarily monetary in nature. Consequently, because a bank's monetary assets exceed monetary liabilities, banks generally experience a loss in purchasing power during periods of inflation. However, when considering the effects of inflation on banks, it is important to remember that interest rates, which affect the bank's costs for funds, do not always move in correlation with consumer prices.

Market and Dividend Information

At year-end 1985 shareholders owned 485,485 shares of the Corporation's common stock. The stock was held by approximately 392 shareholders and is traded over-the-counter. The following table gives quarterly high and low trade prices and dividends per share during each quarter for 1985 and 1984.

	1985			1984		
	BID QUOTATION HIGH	BID QUOTATION LOW	CASH DIVIDENDS DECLARED	BID QUOTATION HIGH	BID QUOTATION LOW	CASH DIVIDENDS DECLARED
March 31	$40.00	$40.00		$40.00	$40.00	
June	51.00	40.00	$.90	40.00	39.00	$.90
September 30	60.00	51.00		40.00	40.00	
December 31	65.00	60.00	$.90	40.00	40.00	$.90

CONSOLIDATED BALANCE SHEET-AVERAGE BALANCES AND INTEREST RATES

	DECEMBER 31								
	1985			1984			1983		
	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
	(In thousands of dollars)								
ASSETS									
Interest-earning assets:									
Loans-domestic (1) and (2)	$272,824	33,037	12.11%	237,899	$ 30,368	12.76%	$211,839	$25,844	12.20%
Taxable investment securities	128,097	13,097	10.51	128,433	14,272	11.11	99,893	11,474	11.48
Nontaxable investment securities (2)	32,679	4,011	12.27	33,734	3,905	11.58	35,568	3,791	10.66
Federal Funds sold & securities purchased under agreement to resell	10,829	830	7.66	10,433	1,354	12.98	23,951	2,249	9.39
Interest-bearing deposits in other banks:									
Domestic	25,728	2,672	10.39	18,552	2,054	11.07	11,304	1,174	10.39
Foreign	11,922	1,137	9.54	8,771	974	11.10	29,334	3,018	10.29
Total interest-earning assets	$482,079	$55,156	11.44%	$437,822	$52,927	12.09%	$411,889	$47,550	11.55%
Noninterest earning assets:									
Cash and due from banks	32,995			30,059			28,500		
Premises and equipment, net	6,886			6,350			5,542		
Other assets	9,123			8,972			8,876		
Less allowance for possible loan losses	(2,864)			(2,106)			(2,101)		
TOTALS	$528,219			$481,097			$452,706		

CONSOLIDATED BALANCE SHEET-AVERAGE BALANCES AND INTEREST RATES

	DECEMBER 31								
	1985			1984			1983		
	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
	(In thousands of dollars)								
LIABILITIES AND SHAREHOLDERS' EQUITY									
Interest-bearing liabilities:									
Savings deposits	$115,710	$ 6,621	5.72%	$103,748	$ 6,351	6.12%	$ 98,265	$ 5,762	5.86%
Time deposits	284,464	24,708	8.69	257,602	25,772	10.00	225,317	22,098	9.81
Federal funds purchased and securities sold under agreement to repurchase	19,293	1,366	7.08	18,384	1,824	9.92	31,554	2,771	8.78
Other—domestic	3,736	303	8.11	2,553	311	12.18	3,440	307	8.61
Total interest-bearing liabilities	$423,203	$32,998	7.80%	$382,287	$34,258	8.96%	$358,576	$30,938	8.63%
Non interest-bearing liabilities:									
Demand deposits	64,872			62,091			59,759		
Other	6,051			6,370			6,459		
				450,748			424,794		
Shareholders' equity	34,093			30,349			27,912		
TOTALS	$528,219			$481,097			$452,706		
Net interest earnings		$22,158			$18,669			$16,612	
Net yield on interest-earning assets			4.60%			4.26%			4.03%

(1) For the purpose of these computations, nonaccruing loans are included in the daily average loan amounts outstanding.

(2) Interest income includes the effect of tax equivalent adjustments using a tax rate of 46 percent.

First Financial Corporation

Standing (left to right): Max Gibson, Walter A. Bledsoe, John W. Ragle, William Niemeyer, Richard W. Kelly, Welby M. Frantz, Patrick O'Leary, and Richard E. Conrad,. Seated (left to right): Edward B. Ijams, Mary Fendrich Hulman, Donald E. Smith, John J. Cleary, Wilson N. Cox, and Henry P. Smith.

Terre Haute First National Bank

Walter A. Bledsoe
Investments

John J. Cleary
Retired

Richard E. Conrad
Senior Vice President and Cashier

Wilson N. Cox
Attorney at Law

Welby M. Frantz
Business Consultant

Max Gibson
President, Jamax Corporation

Mary Fendrich Hulman
Chairman of the Board,
Hulman & Company

Edward B. Ijams
Investments

Richard W. Kelly
Chairman of the Board,
Wabash Valley Asphalt Co., Inc.

William Niemeyer
President, Niemeyer Coal Co

Patrick O'Leary
Investments

John W. Ragle
President, Graham Grain Co., Inc.

Donald E. Smith
President & Chief Executive Officer

Henry P. Smith
President, Deep Vein Coal Company

First State Bank

James E. Brown
Senior Vice President,
Terre Haute First National Bank

Richard E. Conrad
President, First State Bank

Max Gibson
President, Jamax Corp.

Ray G. Ingram
Senior Vice President,
Terre Haute First National Bank

James E. Pell
President, Pell Homes, Inc.

John W. Perry
Cashier & Investment Officer,
First State Bank

Donald E. Smith
Chairman of the Board
First Financial Corporation

John P. Stelle
Honorable Judge, Clay County
Superior Court

Citizens State Bank

Henry J. Antonini
Attorney-at-Law

Michael A. Carty
Vice President & Controller
Terre Haute First National Bank

Roscoe Foos
Retired

Stanley V. Hart
Vice President, Operations
Terre Haute First National Bank

W. Harvey Hegarty
Associate Dean
Graduate School of Business
Indiana University

Wakefield P. Kirkman
Vice President
Citizens State Bank of Newport

Lincoln E. Maloney
Secretary
White Construction Company

A copy of Form 10-K, as filed with the Securities and Exchange Commission, is available upon written request to:

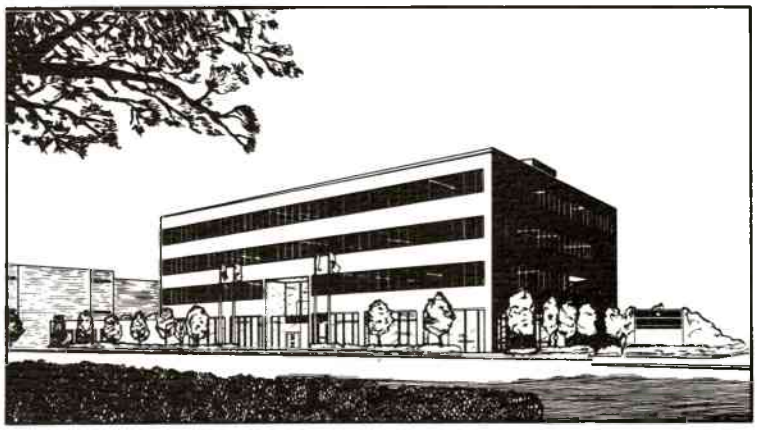
John W. Perry, Treasurer
First Financial Corporation
P. O. Box 540
Terre Haute, Indiana 47808


INDIVIDUAL RETIREMENT ACCOUNT (IRA)
FirstPlus
First
Bill Paying Convenience!
IRA Today
The Purchasing Power of a Loan With the Convenience of Writing a Check!
DRIVE SAFELY
try TERRE HAUTE First
INDIANA
The Organizer
FDIC
FEDERAL DEPOSIT INSURANCE CORPORATION
diskette
Scotch
3M
UCA 10S Color Plus
Videocassette
FirstPlus

FIRST FINANCIAL PLAZA

CORNERSTONE DEDICATION

MAY 16, 1988



FIRST FINANCIAL CORPORATION
CORNERSTONE DEDICATION

MAY 16TH, 1988

9:30 A.M.

— Presiding —

DONALD E. SMITH
President and Chief Executive Officer
First Financial Corporation

— Remarks —

HARRY FREY
Administrative Assistant
City of Terre Haute

DAVE BUCHANAN
Curator, Vigo County Historical Society

FRED RUBEY & KEVIN FORBES
Viewing & Sealing of Capsule Contents

Cornerstone Dedication
May 16, 1988

George Washington first conceived the road that would eventually become Wabash Avenue, and the address for Terre Haute First National Bank's corporate headquarters at One First Financial Plaza. The road he envisioned would become this nation's first National Road.

When Terre Haute was first organized, this land was outside of the city limits and was primarily used for farming. As the city grew, the land became more residential in character.

The State Branch Bank was the first bank in Terre Haute and is one of the roots from which Terre Haute First National Bank descends. One of the State Branch Bank's organizers, its first cashier, a director and a president, was Curtis Gilbert. Mr. Gilbert also has ties to the property upon which First Financial Plaza now stands.

The property was legally known as Outlot 50. Mr. Gilbert purchased the property and built his second home on it. His first home was in the original town and was the first frame home (no logs) constructed in Terre Haute.

Curtis Gilbert lived on this property until 1843 when he again moved East to build a third and final home. His reason for moving was that by 1843 Outlot 50 was prime for commercial development. Mr. Gilbert subdivided and development began.

By the 1870's handsome brick and stone buildings standing three and four stories high lined the sidewalks. Within those walls, from the basement to the top story, the residents of Terre Haute would make their commercial purchases. Citizens could meet musical needs at W. H. Paige and Company or buy clothing at the Buckeye Cash Store.

Terre Haute's Commercial College was also located on the site (in one of the upper floors). The Prairie City Bank, which closed in 1902 could be found between Wabash and Ohio on 6th Street.

For the next ninety years this property was the center of Terre Haute's retail district. Businesses like Roots, which moved to the location in 1895, Montgomery Ward, S.S. Kresges, Ben Becker Shoes, the Holly Shop (women's clothing), Carl Wolf's (men's clothing), Bigwoods, Kleeman Dry Goods, and the United States Trust Company (which later merged with Terre Haute First National Bank) catered to the everyday needs of the city. The commercial district thrived.

The site was also the location of Spectator Court. *The Spectator* was a local newsmagazine that was published from 1904 until 1980.

By the 1960's changing tastes and the popularity of the shopping malls had led to a decline in the retail market in the historic downtown. Retail businesses moved out leaving empty deteriorating buildings. Many of these buildings were eventually demolished leaving empty grass grown lots and a depressing appearance.

Terre Haute First National Bank began purchasing the lots with the intention of eventually consolidating them into a large enough holding to build their new plaza. In 1986 construction plans were announced; construction began in 1987 and 1988 saw its completion.

First Financial Plaza will stand as a monument of its era. Empty grass grown lots have been replaced by a building that stands as tall and as proud as those found on the site a hundred years earlier. Like the structures it replaced, it stands ready to meet the needs of the coming century.

From farming to residential then retail to financial, downtown Terre Haute has radically changed in appearance and in purpose. But it continues to serve the needs of the citizens of Terre Haute, Vigo County and the greater Wabash Valley. Terre Haute First National Bank has also grown and changed, but like Outlot 50, will also continue to serve the needs of those same citizens, its patrons.

CORNERSTONE CONTENTS

Letter from Honorable P. Pete Chalos, Mayor of Terre Haute.
Letter from Terre Haute City Council, President Joseph Duby.
Letter from Vigo Council Council, President John Walsh.
Letter from County Commissioners, President P. James Diehl.
Indiana State University—University magazine and lapel pin.
Rose-Hulman Institute of Technology—Letter from President Samuel F. Hulbert and a faculty profile book.
St. Mary-of-the-Woods College—A St. Mary's lapel pin and a button.
Indiana Vocational Technical College—Letter from Vice President Sam Borden and paper weight etching of their new building.
Vigo County School Corporation—Annual Report.
Hulman and Company—A magazine article about Mr. Anton Hulman and being the oldest business, 138 years in Terre Haute.
Coca-Cola Bottling Company, Inc.—A commemorative coke bottle celebrating their 50th anniversary (1915-1965) and a letter from Mr. Chapman S. Root. Also, a 6½ oz. coke bottle produced here in Terre Haute May 4, 1988.
Indianapolis Motor Speedway—An original paving brick from the Speedway, 1988 program and a logo banner.
GTE—A 1988-89 telephone directory of Terre Haute and surrounding counties.
IMC—International Mineral and Chemical Corporation, a key chain and insignia of their emblem.
Digital Audio Disk—1987 Happy Holidays Disc and a blank disc.
Pillsbury—Product with their insignia on it.
Larry Bird's Boston Connection Hotel—Menus from each restaurant and a placemat representing Larry Bird's hand.
1986 & 1987 First Financial Corporation Annual Report.
Listing of Bank officers and employees for all holding company banks.
Employee handbook which includes all names of employees.
The Guest List for the Cornerstone and Ribbon Cutting.
Program of Events for Cornerstone, Preview Parties and Ribbon Cutting Ceremony.
Invitations to Cornerstone, Preview Parties.
Commemorative coin representing all of First Financial Corporation holdings and commemorating the ribbon cutting, June 6, 1988.
George Washington commemorative coin.
American Olympic commemorative coin.
Pictures of First Financial Corporation Olympics, September 1987.
Picture of the First Financial Corporation Awards Banquet, January 1987.
Picture of First Financial Board of Directors 1986 & 1987.
150th Anniversary Calendar with all the Past Presidents of First Financial Corportion.
Picture of First Financial Corporation new building.
1986 groundbreaking ceremony book.
First Plus ATM card.
Terre Haute First National Bank service lapel pins.
Corporate Olympics lapel pin, plaques and belt buckle.
Advertisement giveaways.
First Financial Corporation Newcomer Manual, with brochures and listings of community activities.
Current market indication chart.
May 16, 1988 Tribune Star.
May 16, 1988 Wall Street Journal.
May 16, 1988 American Banker.
May 16, 1988 New York Times.
1987 Chamber of Commerce Magazine.
1988 map of Terre Haute and surrounding counties.
Listing of Terre Haute parks.
1987-88 program from the Terre Haute Symphony.
Invitation to the play "Celebrate Terre Haute, a Great Place to Live" sponsored by the Vigo County School Corporation.
The boolk *Terre Haute* by Dorothy Clark.
Sheet music "I'm Gonna Float My Boat Right Back to Terre Haute" by Malcom Scott.
On the Banks of the Wabash, a photograph album of Terre Haute — 1900-1950, Kenneth W. Martin.
Bible.

Special thanks to the Vigo County Public Library for their invaluable assistance in the preservation of these momentos.

Banks + Banting (WV)

First Financial Corporation
1989 Annual Report

About the Cover:

The symbols of three of the earliest and most enduring institutions in the Wabash Valley share our 1989 annual report cover, designed this year by William D. Rader of Terre Haute.

St. Mary-of-the-Woods College is readily identifiable by the distinguished Church of the Immaculate Conception and by the impressive tombstone that marks the grave of Mother Theodore Guerin, who founded the beautiful campus west of Terre Haute. (The Latin phrase on Mother Guerin's marker, "Ego Dormio Sed Cor Meum Vigilat Super Hanc Domum Quam Aedificavi" means "I sleep, but my heart watches over this house which I have built.")

Mother Guerin, in the traditional black habit of her Sisters of Providence, is one of two important and inspirational women whose portraits are included on the cover. The other is Sister Barbara Doherty, S.P., the President of St. Mary-of-the-Woods College for the past five years.

The institution Mother Guerin built is this year 150 years old, giving rise to a year-long sesquicentennial celebration that won't end until October.

Indiana State University, now 125 years old, is also a recognizable part of our Annual Report cover. Rader has included the past and the present here, too. We see the first classroom building on the campus of what was first called the Indiana Normal School and the stone gateway that greets today's students as they enter the campus quadrangle, which is where that first classroom building stood.

Also in this depiction of Indiana State are portraits of Presidents — the first one, William A. Jones, whose stewardship lasted 10 years, and the incumbent, Richard G. Landini, who has been President for 15 years.

The third enduring institution represented on the cover of this report is, of course, Terre Haute First National Bank. To include the 155-year-old bank on the cover, Rader needed nothing more than the distinctive black-and-gold shield that has become synonymous with First Financial Corporation and Terre Haute First National Bank. No institution in the Wabash Valley has a more recognizable corporate logo.

About the Artist:

Bill Rader moved here 10 years ago and now works as a graphic artist for the Terre Haute Engraving Co., Inc. His wife of 15 years, Elaine, is a graphic artist at MAB Paints. He readily credits her with helping him with this cover design. "We work in about the same styles and when one of us has a problem, we can go to the other," he says. "I go to Elaine a lot! She has a lot of good ideas. She helped me a whole lot with this one," which he said was difficult because of all the elements that needed to be and could have been included in a salute to institutions with such long and distinguished histories. Rader also credits his father, William N. Rader, for all that he has accomplished as a graphic artist. His father is a draftsman in Louisville.

The younger Bill Rader was commissioned to do this cover because of the excellent reputation he has developed as a portrait artist, especially during the past five years. In those years, he has painted the official portraits of the winners of the Indianapolis 500 and the 14 portraits of the Indianapolis 500 Hall of Fame members that are on permanent display on the west wall of the Hall of Fame.

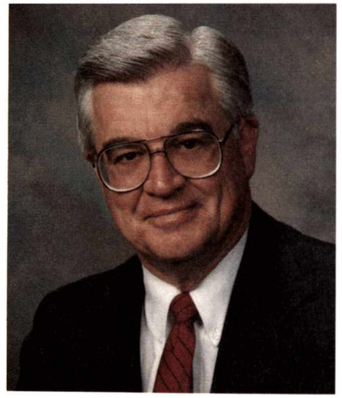
Rader said his work with the 500 mile race is a labor of love, which sounds odd coming from a native of Louisville, where they have that other race each May. "I went to the 500 five years ago and that was it. I was hooked. I like it a lot better — quite a lot better — than the Kentucky Derby!"

FIRST FINANCIAL CORPORATION
1989 ANNUAL REPORT

CONTENTS

To Our Shareholders and Friends:

First Financial Corporation's goal in the 1990's is to provide sound financial products and services for the benefit and prosperity of our customers and their communities. We look optimistically toward the new decade and anticipate continued growth and success in the communities and neighborhoods we serve.



Our strong financial position prepares the holding company and its subsidiaries for active planning in the face of intense competition within the financial services industry. As of December 31, 1989, our assets increased by $26,527,000, or 3.35% to $819,519,000. In addition, deposits increased by 2.60% to $719,494,000. Net income for 1989 was $6,247,000, or $2.68 per share. This represents a 37.60% increase in net income, and includes a $990,000 effect due to a change in accounting for income taxes.

Our primary capital ratio is well above the 1989 regulatory guidelines for holding companies. Shareholders' equity increased $4,848,000 or 8.48% to $61,987,000 as of December 31, 1989. Because of this strong capital position, your Board of Directors voted a special dividend of $0.10 per share in addition to the regular semi-annual dividend. This special dividend and the regular semi-annual dividend of $0.25 was paid on January 2, 1990.

In 1989, First State Bank opened a new banking center to better serve the financial needs of the residents of Clay City and the surrounding community. First Farmers State Bank opened a FirstPlus/CIRRUS 24-hour Automated Teller Machine at its Farmersburg Banking Center to extend the financial services available to their customers. We announced, in 1989, the signing of a Letter of Intent to merge with the Ridge Farm State Bank in Ridge Farm, Illinois. This will be the first bank merger outside of the State of Indiana by the corporation. This merger, when added to our First Financial Corporation family (Terre Haute First National Bank; First State Bank of Brazil, Poland and Clay City; First Citizens State Bank of Clinton, Cayuga and Newport; and First Farmers State Bank of Sullivan, Dugger, Hymera and Farmersburg), enters us into a new era of inter-state banking. It strengthens our continued commitment to the Wabash Valley as the leading community-owned financial services provider. With the expansion of our banking family throughout the Wabash Valley and the financial conveniences we provide, our customers will realize our pledge, "We're always close to home" is more than a saying.

The growth of First Financial Corporation is reflected in the developments occurring in Terre Haute and the Wabash Valley. A wide variety of new retail businesses began operations in the area in 1989. In addition, a new industrial business with a Midwest customer base located in Terre Haute. Expansion projects were initiated by a number of existing commercial, educational, health and industrial businesses. The commercial potential of Terre Haute and the Wabash Valley, provided by the area's transportation network (Hulman Regional Airport, State and Interstate highways and the railways), is continuously being developed and marketed to attract other potential businesses and ultimately to make future business expansion necessary.

We are pleased to report the addition of Mari Hulman George, Norman L. Lowery, and Chapman J. Root II as new Directors to the Board of First Financial Corporation and Terre Haute First National Bank. Ms. George serves as Chairman of the Board of the Indianapolis Motor Speedway Corporation. Mr. Lowery is a partner in the law firm of Wright, Shagley and Lowery. Mr. Root is President of Coquina Land Development Company and Vice President of Root Company.

Several members of our First Financial family received promotions during 1989. At Terre Haute First National Bank, Richard O. White and Michael A. Carty were promoted to Senior Vice Presidents. Winnie Jo Cochran and Michael F. Holmes advanced to positions of Vice President and Banking Center Manager. The official staff of Terre Haute First National Bank was enhanced with the addition of W. Edward Jukes as Senior Vice President of the Commercial Loan Division. Other promotions for Terre Haute First National Bank included: Phillip R. Garrigus to Assistant Vice President and Assistant Banking Center Manager; Mary Ann Brunett to Trust Officer; Diane L. Forbes, John E. Sappington and Judith K. Dick to Assistant Cashier; and Amelia K. Smith to Student Loan Officer.

First State Bank has elected J. Bart Colwell as a Director and approved the promotion of Ronald W. Reagan to Vice President and Banking Center Manager. First State also announces the addition of Mark Boswell as Assistant Vice President, and Rebecca Foltz as Assistant Cashier and Banking Center Manager.

At First Citizens State Bank, Danny Wesch was added as a new Director. James D. McKinley was promoted to Vice President and Cashier.

First Farmers State Bank has promoted Joe Moreland to Loan Officer.

Three valued employees retired from Terre Haute First in 1989: Merle Allen of Branch Administration, Kathryn McGlone of Proof and Guy Hartman of Meadows Banking Center.

Kenneth P. Cooper retired from the Trust Department at Farmers State Bank. Mr. Cooper retired after 35 years of devoted service which included a period of service as President of Farmers State Bank.

On behalf of the Board of Directors of First Financial Corporation, we thank you for your faith and confidence in the Corporation's goals for sustained and successful growth. We reaffirm our commitment to providing convenient banking service with products to meet the personal financial needs of our customers.

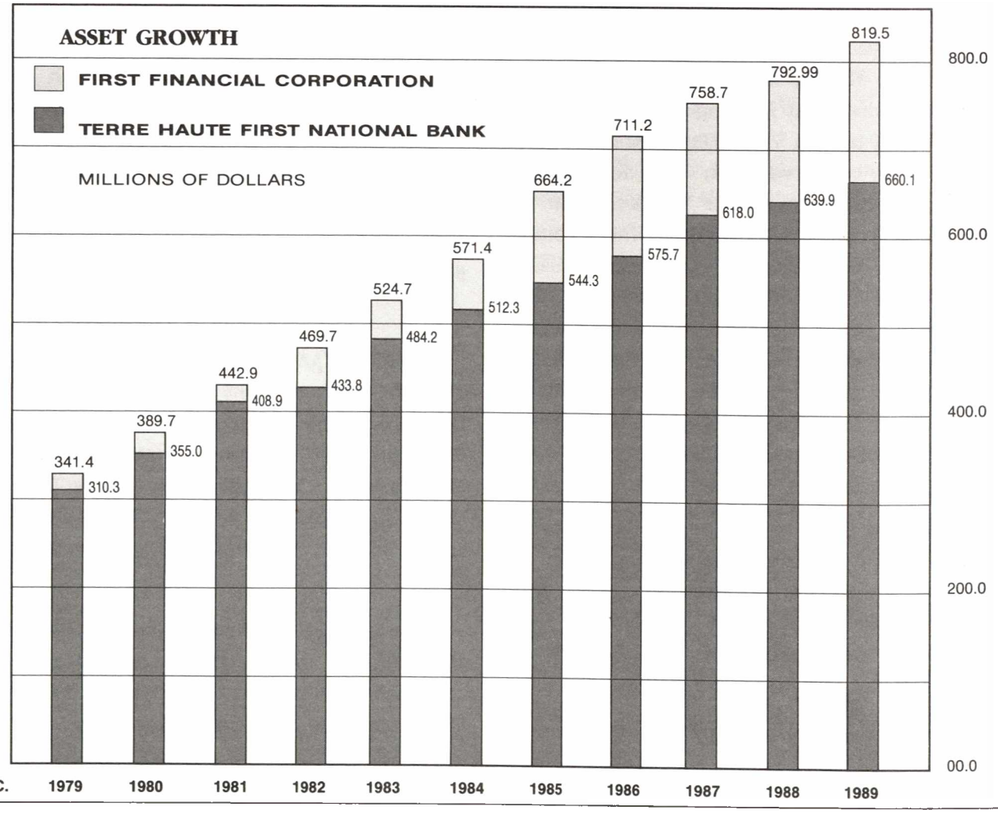
Sincerely,

Donald E. Smith

Donald E. Smith
President and Chief Executive Officer
First Financial Corporation

FINANCIAL HIGHLIGHTS

	December 31,		
	1989	1988	% Change
FOR THE YEAR	(Dollar amounts in thousands, except per share amounts)		
Net Interest Income	$ 26,438	$ 25,221	4.83%
Net Income	6,247	4,540	37.60
Net Income Per Share	2.68	1.95	37.44
Dividends Declared	1,399	1,225	14.20
Cash Dividends Per Share	.60	.525	14.29
Interest to Depositors	44,863	37,652	19.15
AT YEAR END			
Assets	$819,519	$792,992	3.35%
Deposits	719,494	701,257	2.60
Loans, Net of Unearned Income	462,601	439,834	5.18
Investments	232,863	216,476	7.57
Shareholders' Equity	61,987	57,139	8.48
Book Value Per Share	26.59	24.51	8.49
Number of Shares Outstanding (in thousands)	2,331	2,331	0
Number of Shareholders	579	563	2.84
Number of Officers and Employees (Full Time Equivalent)	424	408	3.92



FIVE YEAR COMPARISON OF SELECTED FINANCIAL DATA

	1989	1988	1987	1986	1985
	(Dollar amounts in thousands, except per share amounts)				
BALANCE SHEET DATA:					
Total assets	$819,519	$792,992	$758,726	$711,221	$664,221
Investments	232,863	216,476	245,867	240,447	209,143
Net loans	462,601	439,834	395,963	340,810	321,893
Deposits	719,494	701,257	658,248	626,748	577,956
Long - term debt	8,377	9,489	11,600	14,600	14,600
Shareholders' equity	61,987	57,139	53,824	43,892	40,473
INCOME STATEMENT DATA:					
Interest income	73,712	64,945	59,524	59,611	56,997
Interest expense	47,274	39,724	35,290	36,276	35,938
Net interest income	26,438	25,221	24,234	23,335	21,059
Provision for possible loan losses	2,706	2,256	2,505	3,452	1,924
Other income	3,919	2,463	3,556	2,876	2,509
Other expenses	21,514	20,277	19,444	17,636	15,490
Accounting change for income taxes	990	—	—	—	—
Net income	6,247	4,540	5,056	5,372	5,236
PER SHARE DATA:					
Net income	2.68	1.95	2.21	2.52	2.44
Cash dividends	.60	.525	.50	.50	.45
PERFORMANCE RATIOS:					
Net income to average assets	.78%	.60%	.71%	.80%	.91%
Net income to average shareholders' equity	10.64	8.31	10.05	12.81	13.71
Average total capital to average assets	8.05	7.86	7.76	7.33	6.64
Average shareholders' equity to average assets	7.31	7.26	7.09	6.22	6.64
Dividend payout	22.39	26.92	22.62	19.84	18.44

CONSOLIDATED STATEMENTS OF CONDITION

	December 31, 1989	December 31, 1988
	(Dollar amounts in thousands)	
ASSETS		
Cash and due from banks	$ 52,535	$ 56,232
Interest - bearing deposits with financial institutions	33,008	34,357
Federal funds sold	12,331	20,075
Trading account securities, at market value	—	1,970
Investment securities (market value of $231,502 for 1989 and $210,413 for 1988)	232,863	216,476
Loans:	471,950	449,975
Less:		
Unearned income	9,349	10,141
Allowance for possible loan losses	5,170	4,786
	457,431	435,048
Accrued interest receivable	8,805	8,131
Premises and equipment	16,319	15,849
Other assets	6,227	4,854
TOTAL ASSETS	$819,519	$792,992
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Noninterest - bearing	$ 94,674	$ 95,397
Interest - bearing:		
Certificates of deposit of $100,000 or more	102,614	97,033
Other interest - bearing deposits	522,206	508,827
	719,494	701,257
Short - term borrowings:		
Federal funds purchased and securities sold under agreements to repurchase	18,159	11,987
Treasury tax and loan open-end note	4,135	5,214
	22,294	17,201
Other liabilities	7,367	7,906
Long - term debt	8,377	9,489
TOTAL LIABILITIES	757,532	735,853
Commitments and contingencies		
Shareholders' equity:		
Common stock, $ .25 stated value per share; authorized 5,000,000 shares, in 1989 and 1988; issued 2,330,690 in 1989 and 1988	583	583
Additional capital	19,572	19,572
Retained earnings	41,832	36,984
TOTAL SHAREHOLDERS' EQUITY	61,987	57,139
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$819,519	$792,992

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31, 1989	1988	1987
	(Amounts in thousands, except per share data)		
INTEREST INCOME:			
Loans	$50,135	$43,251	$37,339
Investment securities:			
Taxable	17,129	15,452	16,352
Tax - exempt	2,053	2,571	2,659
Other interest income	4,395	3,671	3,174
TOTAL INTEREST INCOME	73,712	64,945	59,524
INTEREST EXPENSE:			
Deposits	44,863	37,652	33,318
Short - term borrowings	1,746	1,759	1,502
Long - term debt	665	313	470
TOTAL INTEREST EXPENSE	47,274	39,724	35,290
NET INTEREST INCOME	26,438	25,221	24,234
Provision for possible loan losses	2,706	2,256	2,505
NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN LOSSES	23,732	22,965	21,729
OTHER INCOME:			
Trust department income	713	595	595
Service charges on deposit accounts	812	769	726
Other service charges and fees	1,805	1,504	1,229
Investment securities gains (losses)	257	(597)	700
Other	332	192	306
	3,919	2,463	3,556
OTHER EXPENSES:			
Salaries and employee benefits	9,836	8,921	8,548
Occupancy expense	1,558	1,438	1,323
Equipment expense	1,236	1,057	987
Data processing expense	1,629	1,518	1,411
Intangibles tax	1,083	978	900
Other	6,172	6,365	6,275
	21,514	20,277	19,444
INCOME BEFORE INCOME TAXES	6,137	5,151	5,841
Income Tax Expense	880	611	785
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING FOR INCOME TAXES	$ 5,257	$ 4,540	$ 5,056
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING FOR INCOME TAXES	990	—	—
NET INCOME	$ 6,247	$ 4,540	$ 5,056
EARNINGS PER SHARE:			
BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING FOR INCOME TAXES	$ 2.26	$ 1.95	$ 2.21
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING FOR INCOME TAXES	.42	—	—
NET INCOME	$ 2.68	$ 1.95	$ 2.21
Weighted average number of shares outstanding	2,331	2,331	2,287

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Stock	Additional Capital	Retained Earnings	Treasury Stock	Total
	(Dollar amounts in thousands, except per share data)				
Balance, January 1, 1987	$ 550	$14,994	$29,799	$(1,451)	$43,892
Purchase of 244 shares of common stock for treasury	—	—	—	(8)	(8)
Proceeds from sales of 216,672 shares of common stock, including treasury shares	33	4,578	—	1,459	6,070
Net income	—	—	5,056	—	5,056
Cash dividends:					
Corporation - $.50 per share	—	—	(1,064)	—	(1,064)
Pooled affiliate	—	—	(122)	—	(122)
Balance, December 31, 1987	583	19,572	33,669	—	53,824
Net income	—	—	4,540	—	4,540
Cash dividends, $.525 per share	—	—	(1,225)	—	(1,225)
Balance, December 31, 1988	583	19,572	36,984	—	57,139
Net income	—	—	6,247	—	6,247
Cash dividends, $.60 per share	—	—	(1,399)	—	(1,399)
Balance, December 31, 1989	$ 583	$19,572	$41,832	$ —	$61,987

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31, 1989	1988	1987
	(Dollar amounts in thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 6,247	$ 4,540	$ 5,056
Adjustments to reconcile net income to net cash provided by operating activities:			
Cumulative effective of change in accounting for income taxes	(990)	—	—
Net amortization of premiums on investment securities	215	666	1,448
Provision for possible loan losses	2,706	2,256	2,505
Investment securities (gains) losses	(257)	597	(700)
Provision for depreciation and amortization	1,215	1,176	1,068
Provision for deferred federal income taxes	(532)	(500)	83
Net decrease (increase) in trading account securities	1,970	(1,970)	—
Net decrease (increase) in accrued interest receivable	(674)	157	618
Other, net	(436)	1,446	1,630
NET CASH PROVIDED BY OPERATING ACTIVITIES	9,464	8,368	11,708
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net increase from purchases and maturities of interest-bearing deposits with financial institutions	1,316	3,971	—
Proceeds from sales and maturities of investment securities	84,334	134,404	192,467
Purchases of investment securities	(100,936)	(106,276)	(202,557)
Loans made to customers, net of repayments	(24,960)	(46,322)	(58,032)
Net decrease (increase) in federal funds sold	7,744	(19,300)	28,580
Additions for premises and equipment	(1,653)	(2,170)	(6,195)
NET CASH USED BY INVESTING ACTIVITIES	(34,155)	(35,693)	(45,737)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase (decrease) from sales and redemptions of certificates of deposit	23,894	12,033	(10,976)
Net increase (decrease) in other deposits	(5,657)	30,976	42,476
Net (decrease) increase in short-term borrowings	5,093	(10,562)	8,756
Proceeds from sale of stock	—	—	6,070
Cash dividends	(1,224)	(1,116)	(1,186)
Payments on long-term debt	(1,112)	(3,077)	(3,000)
Payments on note payable	—	—	(540)
Treasury stock purchases	—	—	(8)
Decrease in restricted bond proceeds	—	—	5,384
NET CASH PROVIDED BY FINANCING ACTIVITIES	20,994	28,254	46,976
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,697)	929	12,947
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	56,232	55,303	42,356
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 52,535	$ 56,232	$ 55,303
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the year for interest, net of amounts capitalized	$ 47,100	$ 39,056	$ 36,547
Income taxes paid	$ 1,625	$ 885	$ 595

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES:

Organization

The consolidated financial statements of First Financial Corporation and its subsidiaries (the Corporation) include the accounts of the parent company and its wholly-owned subsidiaries, Terre Haute First National Bank (Terre Haute First), First State Bank in Clay County, Indiana (First State), First Citizens State Bank of Newport, Indiana (Citizens), and First Farmers State Bank in Sullivan, Indiana (Farmers). The Corporation provides banking services to the domestic market. All significant intercompany balances and transactions have been eliminated. All dollar amounts, except per share amounts, presented in these notes have been rounded to the nearest thousand.

Investment Securities

Investment securities are stated at cost adjusted for amortization of premium and accretion of discount. Gains and losses on the sales of investment securities are based on the adjusted cost of the specific security sold.

Loans

Interest income on loans is recorded as earned. Accrual of interest is suspended for those loans where serious doubt exists as to collectibility.

Lease Financing

Terre Haute First provides equipment financing to customers through a variety of lease arrangements. Leases are carried at the aggregate of lease payments receivable plus estimated residual values. Unearned income on the leases is amortized over the lease terms resulting in an approximate level rate of return.

Allowance for Possible Loan Losses

The allowance for possible loan losses is maintained at a level considered adequate to provide for potential loan losses and is based on management's evaluation of potential losses in the loan portfolio, as well as prevailing and anticipated economic conditions.

Premises and Equipment

Premises and equipment are recorded on the basis of cost less accumulated depreciation. The provision for depreciation is computed primarily by the straight-line method over the estimated useful lives of the assets. Any gain or loss on the retirement of assets, which was not significant in 1989, 1988, or 1987, is recognized currently.

Income Taxes

Effective January 1, 1989, the Corporation adopted the method of accounting for income taxes prescribed by Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes" (SFAS No. 96). As permitted by SFAS No. 96, prior years' data have not been restated. The cumulative effect of adopting the new method of accounting is shown in the 1989 consolidated statement of income. See Note 8.

The Corporation and its subsidiaries file a consolidated income tax return. Investment tax credits relating to assets owned and leased to others have been deferred and are being amortized over the lease term.

Statement of Cash Flows

The Corporation has presented statements of cash flows for 1989, 1988 and 1987 in accordance with Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows". In December of 1989, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 104. This statement permits banks to report cash flows from lending and deposit activities on a net basis. As required, the Corporation's 1988 and 1987 cash flows statement has been restated to conform to the 1989 presentation. For purposes of cash flows, cash and cash equivalents includes cash and due from banks.

Reclassifications

Certain amounts in the 1988 and 1987 consolidated financial statements have been reclassified to conform with the 1989 presentation.

2. RESTRICTIONS ON CASH AND DUE FROM BANKS:

Terre Haute First is required to maintain average reserve balances with the Federal Reserve Bank. The amount of those reserve balances for the period including December 31, 1989, was approximately $12.3 million.

3. INVESTMENT SECURITIES:

Investment securities are summarized as follows ($ in thousands):

	December 31,			
	1989		1988	
	Carrying Amount	Market Value	Carrying Amount	Market Value
United States Government	$ 18,959	$ 19,168	$ 21,421	$ 21,295
United States Government agencies	123,493	123,242	93,971	91,178
State and municipal	27,490	27,257	34,255	33,898
Collateralized mortgage obligations	28,116	27,308	24,433	23,114
Corporate obligations	34,805	34,527	42,396	40,928
TOTAL	$232,863	$231,502	$216,476	$210,413

Investment securities with a par value amounting to approximately $16,822 at December 31, 1989, were pledged as collateral for borrowings and for other purposes. The 1988 Statement of Income includes an $870 loss resulting from the write-down of a corporate obligation. The obligation, which had a par value of $1,500 was adjusted downward due to a deteriorating market value that was judged to be other than temporary.

The Corporation purchases investment securities for long-term investment purposes, and differences between carrying and market values may fluctuate during the investment period. The Corporation generally expects to recover carrying values by retaining investment securities until their maturity.

4. LOANS:

Loans are summarized as follows ($ in thousands):

	December 31,	
	1989	1988
Commercial, financial and agricultural	$108,774	$111,836
Real estate - construction	16,716	18,936
Real estate - mortgage	225,114	200,722
Installment	103,476	102,525
Lease financing	17,870	15,956
TOTAL	$471,950	$449,975

In the normal course of business, the Corporation's subsidiary banks make loans to directors and executive officers and to their associates. These related party loans are consistent with sound banking practices and are within applicable bank regulatory lending limitations. In 1989, the aggregate dollar amount of these loans to directors and executive officers who held office at the end of the year amounted to $12,202 at the beginning of the year. During 1989, advances of $10,862 and repayments of $8,217 were made with respect to related party loans for an aggregate dollar amount of $14,847 at December 31, 1989. The amount of such loans aggregated $11,866 at December 31, 1988.

5. ALLOWANCE FOR POSSIBLE LOAN LOSSES:

Changes in the allowance for possible loan losses are summarized as follows ($ in thousands):

	December 31,		
	1989	1988	1987
Balance at beginning of year	$ 4,786	$ 3,856	$ 4,230
Provision for possible loan losses	2,706	2,256	2,505
Recoveries of loans previously charged off	403	443	452
Loans charged off	(2,725)	(1,769)	(3,331)
BALANCE AT END OF YEAR	$ 5,170	$ 4,786	$ 3,856

6. PREMISES AND EQUIPMENT:

Premises and equipment are summarized as follows ($ in thousands):

	December 31,	
	1989	1988
Land	$ 1,783	$ 1,805
Building and leasehold improvements	15,413	14,920
Furniture and equipment	8,587	7,495
	25,783	24,220
Less accumulated depreciation	9,464	8,371
TOTAL	$16,319	$15,849

7. LONG-TERM DEBT:

Long-term debt at December 31, 1989, is summarized as follows ($ in thousands):

Term promissory note - bank	$ 1,000
City of Terre Haute, Indiana adjustable tender economic development revenue bonds, series 1985	6,600
Other	777
TOTAL	$ 8,377

The term promissory note - bank is unsecured and requires annual interest payments until maturity at the lending bank's base rate which was 10.5% at December 31, 1989. Principal payment of $1,000 is due in 1996.

The economic development bonds (bonds) require periodic interest payments each year until maturity or redemption. The interest rate, which was 6.40% at December 31, 1989, is determined by a formula which considers rates for comparable bonds and is adjusted periodically based on the frequency selected by the bondholder at the date of purchase. The bonds are collateralized by a first mortgage on the Corporation's headquarters building. The bonds mature December 1, 2015, and bondholders may periodically require earlier redemption.

The Corporation may use funds available under a letter of credit from another financial institution to repay principal on bonds redeemed during the term of the letter of credit. The letter of credit expires December 15, 1990, with an option to renew for another five-year period. Funds advanced under the letter of credit are due five years from the date of the advance. No bonds were redeemed during 1989. Assuming that any redemptions required under the bonds will be funded by the letter of credit, or by other similar borrowings, if redemption occur after 1990, there are no principal maturities of the bonds within the next five years.

8. INCOME TAXES:

Effective January 1, 1989, the Corporation adopted the provisions of Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes" (SFAS No. 96). Accordingly, the Corporation changed its method of computing deferred taxes from the deferred method used in years prior to 1989 to the liability method prescribed by SFAS No. 96. The cumulative effect of adopting SFAS No. 96 increased 1989 net income and net income per share by $990 thousand and $.42, respectively. Application of SFAS No. 96 during 1989 did not have a significant effect on income before the cumulative effect of the change in accounting for income taxes.

Income tax expense is summarized as follows ($ in thousands):

	1989	1988	1987
Current	$ 1,412	$ 1,111	$ 702
Deferred	(532)	(500)	83
TOTAL	$ 880	$ 611	$ 785

Federal income tax expense (credit) with respect to investment securities gains (losses) amounted to approximately $87, $(203), and $280 in 1989, 1988 and 1987, respectively.

The major components of deferred income taxes are as follows ($ in thousands):

	1989	1988	1987
Provision for possible loan losses	$(292)	$(408)	$ 28
Lease financing	(137)	169	56
Amortization of investment tax credit	(121)	109	3
Unrealized loss on corporate obligation	—	(296)	—
Other, net	18	(74)	(4)
TOTAL	$(532)	$(500)	$ 83

The reconciliation of income tax expense with the amount computed by applying the statutory federal income tax rate to income before federal income taxes is summarized as follows ($ in thousands):

	1989	1988	1987
Federal income taxes computed at the statutory rate	$ 2,086	$ 1,751	$ 2,336
Add (deduct) tax effect of:			
Nontaxable income from tax-exempt investments and loans	(988)	(1,193)	(1,537)
Investment tax credit	(118)	(103)	(114)
Prior year's taxes	—	123	—
Other, net	(90)	33	100
	(1,206)	(1,140)	(1,551)
TOTAL	$ 880	$ 611	$ 785

9. SHAREHOLDERS' EQUITY

At December 31, 1989, approximately $9,400 of undistributed earnings of the subsidiary banks, included in consolidated retained earnings, were available for distribution to the parent company as dividends without regulatory approval. In practice the Corporation further limits dividends to maintain adequate capital.

STATEMENTS OF INCOME AND RETAINED EARNINGS

	Years Ended December 31,		
	1989	1988	1987
	(Dollar amounts in thousands)		
Income:			
Dividends from subsidiaries	$ 2,740	$ 5,270	$ 472
Other income	760	455	60
TOTAL INCOME	3,500	5,725	532
Expenses:			
Interest on note payable and long-term debt	590	523	470
Other operating expenses	526	382	180
Total operating expense	1,116	905	650
Income (loss) before income taxes and equity in undistributed earnings of bank subsidiaries	2,384	4,820	(118)
Federal income tax credit	121	111	230
Income before equity in undistributed earnings of bank subsidiaries	2,505	4,931	112
Equity in undistributed earnings of bank subsidiaries	3,742	(391)	4,944
Net income	6,247	4,540	5,056
Retained earnings, beginning of year	36,984	33,669	29,799
	43,231	38,209	34,855
Cash dividends	(1,399)	(1,225)	(1,186)
Retained earnings at end of year	$ 41,832	$ 36,984	$ 33,669

STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	1989	1988	1987
	(Dollar amounts in thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 6,247	$ 4,540	$ 5,056
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	159	93	—
Equity in undistributed earnings of bank subsidiaries	(3,742)	391	(4,944)
Increase (decrease) in other liabilities	(331)	(37)	(40)
Decrease (increase) in other assets	(689)	866	(549)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,644	5,853	(477)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to premises and equipment	(39)	(1,494)	(5,954)
NET CASH USED IN INVESTING ACTIVITIES	(39)	(1,494)	(5,954)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from sale of common stock, including treasury shares	—	—	6,070
Purchase of treasury stock	—	—	(8)
Principal payments on long-term debt	(1,000)	(3,000)	(3,000)
Payments on note payable	—	—	(540)
Dividends paid	(1,224)	(1,116)	(1,186)
Decrease in restricted bond proceeds	—	—	5,383
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(2,224)	(4,116)	6,719
NET INCREASE (DECREASE) IN CASH	(619)	243	288
CASH, BEGINNING OF YEAR	691	448	160
CASH, END OF YEAR	$ 72	$ 691	$ 448
Supplemental disclosures of cash flow information:			
Cash paid during the year for interest	$ 673	$ 539	550

Supplemental information of noncash investing activities:
In 1988 the Corporation purchased land for the new headquarters building from Terre Haute First and incurred a liability equal to Terre Haute First's carrying value of $709.

To the Shareholders and Board of Directors
First Financial Corporation

Responsibility for Financial Statements

The management of First Financial Corporation has prepared and is responsible for the preparation and accuracy of the financial statements and other information included in this report. The financial statements have been prepared in accordance with generally accepted accounting principles and where appropriate, include amounts based on judgments and estimates by management.

To fulfill its responsibility, the Corporation maintains and continues to refine a system of internal accounting controls and procedures to provide reasonable assurance that (i) the Corporation's assets are safeguarded; (ii) transactions are executed in accordance with proper management authorization; and (iii) financial records are reliable for the preparation of financial statements. The design, monitoring and revision of internal accounting control systems involve, among other things, management judgments with respect to the relative costs and expected benefits of such control procedures.

Coopers & Lybrand performs an independent audit of the Corporation's financial statements for the purpose of determining that such statements are presented in conformity with generally accepted accounting principles and their report appears below. The independent accountants are appointed based upon recommendations by the Examining and Trust Audit Committee and approved by the Board of Directors.

The Examining and Trust Audit Committee of the Board of Directors, composed of three outside directors, meets periodically with the Corporation's management and the independent accountants to discuss the audit scope and findings as well as address internal control systems and financial reporting matters. The independent accountants have direct access to the Examining and Trust Audit Committee.

Donald E. Smith
President & Chief Executive Officer

John W. Perry
Treasurer

Report of Independent Accountants

We have audited the accompanying consolidated statements of condition of First Financial Corporation and subsidiaries as of December 31, 1989 and 1988, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1989. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of First Financial Corporation and subsidiaries as of December 31, 1989 and 1988, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1989, in conformity with generally accepted accounting principles.

As described in Note 8 to the financial statements, the Corporation adopted Statement of Financial Accounting Standards No. 96 "Accounting for Income Taxes" in 1989 on a prospective basis.

Coopers + Lybrand

Indianapolis, Indiana
January 27, 1990

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following information provides management's discussion and analysis of First Financial Corporation's financial condition and the results of its operations. The information presented should be read in conjunction with the audited financial statements and related footnotes appearing elsewhere in this report.

First Financial Corporation (the Corporation) is a multi-bank holding company. The Corporation, which is headquartered in Terre Haute, Indiana, offers a wide variety of financial services including commercial and consumer lending, lease financing, trust account services and depositor services through its four subsidiaries. The Corporation's principal subsidiary is Terre Haute First National Bank (Terre Haute First) located in Vigo County. The Corporation's other three wholly-owned bank subsidiaries are First State Bank in Clay County (First State), First Citizens State Bank of Newport, Indiana (Citizens), and First Farmers State Bank in Sullivan, Indiana (Farmers). At the close of business in 1989, the Corporation and its subsidiaries had 424 full-time equivalent employees.

Terre Haute First is the largest bank in Vigo County. At the close of business in 1989, it had approximately 57% of the total deposits and almost 63% of the total loans of the banks within the county. It operates nine full-service banking branches within the county. In addition to its branches, it has a main office in downtown Terre Haute and a 44,000 square foot operations center in a suburban area of Terre Haute.

First State was organized in August, 1984, and has three branch locations in Clay County, a county contiguous to Vigo County. Citizens was acquired by the Corporation in December, 1985, and has three branches, all of which are located in Vermillion County, a county contiguous to Vigo County. Farmers was acquired in December, 1987, in a transaction accounted for as a pooling of interests. Farmers has four branches, all located in Sullivan County, a county contiguous to Vigo County.

Terre Haute First faces competition from other financial institutions in Vigo County. These competitors include two commercial banks, a mutual savings bank, and other financial institutions, including consumer finance companies, credit unions and savings and loan associations. The three state bank subsidiaries face similar competition in Clay County, Vermillion County, and Sullivan County, their primary market areas. The Corporation's business activities are centered in west central Indiana. The Corporation has no foreign activities other than periodically investing available funds in time deposits held in foreign branches of domestic banks.

The Corporation has recently announced an agreement to merge with the $15 million Ridge Farm State Bank of Ridge Farm, Illinois. The merger is expected to be accounted for as a pooling of interests and completed in the second quarter of 1990. Within the Wabash Valley area the Corporation continues to look for attractive financial institutions that would be interested in affiliating with the Corporation.

The Financial Institutions' Reform, Recovery and Enforcement Act of 1989 (FIRREA) will have a major impact on all financial institutions' operations. The legislation has been described as the most significant change in the law since the creation of deposit insurance in 1933. As a well-capitalized organization, the Corporation would be in a position to take advantage of opportunities that may become available from this law. One negative aspect of FIRREA will be a 50% increase in our FDIC expense of approximately $300 thousand beginning in 1990.

Locally, a federal savings bank has agreed to merge with a bank holding company. The other savings and loan in this area has been acquired by a nationwide savings and loan organization. In both cases the acquirers can bring significant capital strength to the local organization. With our competition financially stronger, we expect reduced concern of competing with weak organizations that has caused many problems for our industry in other parts of the country.

The economy in our market area continues to lag both the state and nation in employment growth. With our banks' policy of normally making loans in their market area, our resulting geographic concentration has caused our loan to deposit rate of 65.40% to be well below the average of bank holding companies of a similar size. A more rapidly expanding economy would help loan demand and result in improved net interest margin and net income. Although there are several promising situations developing for our area, it will not likely result in much additional loan activity in 1990.

Beginning in 1990 the State of Indiana will change the method of taxing financial institutions. The intangible tax and/or adjusted gross income tax will be replaced by a franchise tax, plus a personal property tax. The franchise tax will be a 8.5% of income for federal tax purposes adjusted for several items. If in effect in 1989, this new tax would have reduced our payments to the State of Indiana by approximately $500 thousand. A similar effect should occur in 1990.

There are no other presently known factors that would result in material changes in our future financial condition or operating results.

Results of Operations - Summary for 1989

Net income for 1989 was $6.2 million or $2.68 per share. The income for 1989 compares to $4.5 million in 1988 or $1.95 per share. The increased income for 1989 resulted primarily from the cumulative benefit of a change in the method of accounting for income taxes and improvement in net interest income. Return on average assets for 1989 was .78% compared to .60% for 1988.

At the end of 1989, the Corporation's shareholder's equity was $61.9 million, an increase of 8.5% from the 1988 level of $57.1 million. The Corporation's primary capital to asset ratio at December 31, 1989, was 8.1%, which compares favorably to the minimum capital standard of 6.0% currently desired by Federal regulators.

The primary components of income and expense affecting net income are discussed in the following analysis.

Net Interest Income

The principal source of the Corporation's earnings is net interest income, which represents the difference between interest earned on loans and investments and the interest cost associated with deposits and other sources of funding.

On a tax equivalent basis, net interest income decreased $100 thousand from $27.2 million in 1988 to $27.1 million in 1989. Although volume growth in average earning assets increased 6.86% from the 1988 levels, average interest-bearing liabilities grew 8.27%. The spread in interest rates narrowed significantly, thereby causing a decline in the rate earned from 4.01% on average earning assets in 1988 to 3.74% in 1989.

The following table sets forth the components of net interest income due to changes in volume and rate. The table information compares 1989 to 1988 and 1988 to 1987.

	1989 Compared to 1988 Increase (Decrease) Due to				1988 Compared to 1987 Increase (Decrease) Due to			
	Volume	Rate	Volume/ Rate	Total	Volume	Rate	Volume/ Rate	Total
	(In thousands of dollars)							
Interest earned on interest-earning assets:								
Loans (1)	$ 3,704	$ 2,869	$ 242	$ 6,815	$ 5,360	$ 193	$ 27	$ 5,580
Taxable investment securities	1,278	369	30	1,677	(753)	(167)	8	(912)
Tax-exempt investment securities (1)	(799)	18	(4)	(785)	(585)	79	(10)	(516)
Federal funds sold	211	121	33	365	97	105	17	219
Interest-bearing deposits:								
Domestic	397	244	46	687	98	79	4	181
Foreign	(191)	95	(33)	(129)	(193)	98	(28)	(123)
Investment trading account	—	—	(219)	(219)	—	—	219	219
Total interest income	4,600	3,716	95	8,411	4,024	387	237	4,648
Interest paid on interest-bearing liabilities:								
Savings deposits	122	10	—	132	766	254	18	1,038
Time deposits	3,557	4,005	556	8,118	1,861	1,326	110	3,297
Federal funds purchased and securities sold under agreement to repurchase	6	191	1	198	(21)	119	(2)	96
Other	(81)	159	(15)	63	(214)	291	(74)	3
Total interest expense	3,604	4,365	542	8,511	2,392	1,990	52	4,434
Net interest income	$ 996	$(649)	$(447)	$(100)	$ 1,632	$(1,603)	$ 185	$ 214

(1) Changes in interest income include the effect of tax equivalent adjustments using a federal tax rate of 34% for 1989 and 1988, and 40% for 1987.

Provision for Possible Loan Losses

The provision for possible loan losses is established by charging current earnings with an amount which will maintain the allowance for possible loan losses at a level sufficient to provide for potential losses in the Corporation's loan portfolio. Management considers several factors in determining the provision, including loss experience, changes in the composition of the portfolio, the financial condition of borrowers, economic trends, and general economic conditions. The provision for possible loan losses totaled $2.7 million for 1989 compared to $2.2 million for 1988. The provision for 1989 increased primarily because of the 4.9% increase in the loan portfolio from 1988 levels. The provision was further increased to recognize the deteriorating financial condition of a certain corporate customer. Net charge offs for 1989 increased $996 thousand or 75%. At December 31, 1989, the resulting allowance for possible loan losses was $5.1 million or 1.12% of total loans, net of unearned income. A year earlier the allowance was 1.09%.

Other Income

Other income increased in 1989 to $3.9 million from $2.5 million earned in 1988. The primary reason for the increase was net gains from the sales of investment securities which were $257 thousand in 1989 compared to $597 thousand of net losses in 1988. The Corporation also experienced improvement in trust fees, other service charges and fees, service charges on deposit accounts, and other income.

Other Expenses

Other expenses totaled $21.5 million for 1989 compared to $20.2 million for 1988. This represents an increase of $1.3 million or 6.4% for 1989. Most of the components of other expenses increased for 1989. The salaries and employee benefits increased by 10.2% from $8.9 million in 1988 to $9.8 million in 1989. There was a stop loss settlement in a health insurance claim in 1988 that reduced 1988 expense by about $.4 million. Without that item, salaries and employee benefits would have increased 5.9% in 1989. The intangible tax increased by 10.7% from $978 thousand in 1988 to $1.08 million in 1989, due to increases in the taxable value of equity capital and net deposits.

Income Taxes

The Corporation's federal income tax provision was $880 thousand in 1989 compared to a provision of $611 thousand in 1988. The effective tax rate in 1989 of 14.3% compares to a 1988 effective rate of 11.9%. In addition to federal income taxes, the Corporation pays state intangibles tax on certain deposits. Intangibles tax totaled $1.08 million, $978 thousand and $900 thousand for 1989, 1988 and 1987, respectively. Income from tax-exempt investments, was $2.1 million in 1989 compared to $2.5 million for 1988.

Comparison of 1988 to 1987

Net income for 1988 was $4.5 million or $1.95 per share. The slightly lower income in 1988 compares to $5 million in 1987 or $2.21 per share. The reduced income resulted from the net losses from sale of securities which were $597 thousand in 1988 compared to $700 thousand of net gain in 1987. Also, the net yield on interest-earning assets decreased to 4.01% in 1988 from 4.22% in 1987. Return on average assets for 1988 was .60% compared to .71% for 1987.

Other income decreased $1.1 million or 30.7% in 1988 over 1987. The primary component resulting in the decrease was higher losses from investments, which decreased by $1.3 million. Other expenses increased $833 thousand or 4.3%.

Financial Condition - Summary

The Corporation's total assets increased to a record $819.5 million at December 31, 1989, up from $792.9 million a year earlier. Loans, net of unearned income, increased by $22.8 million, to $462.6 million. The increase in loans was primarily funded by deposits which increased from $701.2 million at December 31, 1988, to $719.4 million at December 31, 1989. Long-term debt at December 31, 1989, stood at $8.4 million. Total shareholders' equity at December 31, 1989, was $61.9 million compared to $57.1 million a year earlier. Following is an analysis of the components of the Corporation's statement of condition.

Investment Portfolio

The maturity distribution of the Corporation's investment portfolio at December 31, 1989, based on estimated lives for mortgage-backed securities and contractual lives for all other securites, and the carrying value of investments at December 31, 1989, 1988 and 1987 are presented below. Also shown for 1989 are the weighted average yields computed on a tax equivalent basis, assuming a federal tax rate of 34%.

	Within One Year Amount	After One But Within Five Years Amount	After Five But Within Ten Years Amount	After Ten Years Amount	Total 1989	Total 1988	Total 1987
	(In thousands of dollars)						
U.S. Treasury and other U.S. Government agencies	$60,069	$53,308	$20,189	$ 8,886	$142,452	$115,392	$124,652
State and municipal	6,752	15,619	4,021	1,098	27,490	34,255	38,622
Collateralized mortgage obligations	2,031	5,624	14,542	5,919	28,116	24,433	28,180
Corporate obligations	23,862	10,457	486	0	34,805	42,396	54,413
TOTAL	$92,714	$85,008	$39,238	$15,903	$232,863	$216,476	$245,867
Weighted Average Yields	9.18%	9.23%	9.35%	9.72%			

Below is an analysis of the gross and net unrealized gains and losses for securities held in the Corporation's investment portfolio at December 31, 1989. Also shown is an analysis of the gross and net gains and losses realized by the Corporation from investments sold during the year ended December 31, 1989.

	December 31, 1989					During the year 1989		
			Unrealized			Realized		
	Carrying Amount	Market Value	Gains	Losses	Net	Gains	Losses	Net
United States Government	$ 18,959	$ 19,168	$ 254	$ 45	$ 209	$ 43	$ –	$ 43
United States Government agencies	123,493	123,242	1,121	1,372	(251)	111	50	61
State and municipal	27,490	27,257	535	768	(233)	321	235	86
Collateralized mortgage obligations	28,116	27,308	42	851	(809)	39	–	39
Corporate obligations	34,805	34,527	193	470	(277)	142	114	28
TOTAL	$232,863	$231,502	$ 2,145	$ 3,506	$(1,361)	$ 656	$ 399	$ 257

The Corporation's subsidiary banks sold investment securities for several reasons in 1989. Part of the reported sales were actually extraordinary calls of municipal housing bonds which resulted in the recognitions of gains and losses. A second reason was a desire to upgrade the quality of the portfolio by switching from corporate obligations to government agency securities. The third reason was to increase the yield, shorten maturities, or increase credit quality by selling a security from the portfolio and purchasing a security that achieved one or more of the listed goals. The net realized gain of $257 was 2.72% of net income on a after-tax basis.

Loan Portfolio

Loans outstanding by major category as of December 31 for each of the last five years and the maturities and interest sensitivity of the loans outstanding as of December 31, 1989, are set forth in the following analysis:

Loan Category	1989	1988	1987	1986	1985
	(In thousands of dollars)				
Commercial, financial and agricultural	$108,774	$111,836	$109,862	$112,773	$124,612
Real estate—construction	16,716	18,936	8,126	2,679	4,042
Real estate—mortgage	225,114	200,722	178,349	138,454	121,953
Installment	103,476	102,525	94,099	84,470	68,920
Lease financing	17,870	15,956	15,564	13,384	14,012
TOTAL	$471,950	$449,975	$406,000	$351,760	$333,539

Maturity Distribution	Within One Year	After One But Within Five Years	After Five Years	Total
	(In thousands of dollars)			
Commercial, financial and agricultural	$53,368	$26,711	$28,695	$108,774
Real estate—construction	11,899	1,703	3,114	16,716
TOTAL	$65,267	$28,414	$31,809	125,490
Real estate—mortgage				225,114
Installment				103,476
Lease financing				17,870
TOTAL LOANS				$471,950
Loans maturing after one year with:				
Fixed interest rates		$17,315	$16,641	
Variable interest rates		11,099	15,168	
TOTAL		$28,414	$31,809	

Allowance for Possible Loan Losses

The activity in the Corporation's allowance for possible loan losses is shown in the following analysis:

	1989	1988	1987	1986	1985
	(In thousands of dollars)				
Amount of loans outstanding at December 31,	$471,950	$449,975	$406,000	$351,760	$333,539
Average amount of loans by year	$452,722	$417,539	$366,379	$326,692	$297,621
Allowance for possible loan losses at beginning of year	$ 4,786	$ 3,856	$ 4,230	$ 3,526	$ 2,494
Loans charged off:					
Commercial, financial and agricultural	993	653	1,807	2,116	1,119
Real estate—construction	—	—	—	—	—
Real estate—mortgage	858	320	620	186	119
Installment	816	771	815	729	338
Leasing	58	25	89	98	218
Total loans charged off	2,725	1,769	3,331	3,129	1,794
Recoveries of loans previously charged off:					
Commercial, financial, and agricultural	97	135	113	152	59
Real estate—construction	—	—	—	—	—
Real estate—mortgage	99	91	99	23	8
Installment	195	203	206	171	168
Leasing	12	14	34	35	119
Total recoveries	403	443	452	381	354
Net loans charged off	2,322	1,326	2,879	2,748	1,440
Provision charged to expense	2,706	2,256	2,505	3,452	1,924
Allowance of acquired subsidiary	—	—	—	—	548
Balance at end of year	$ 5,170	$ 4,786	$ 3,856	$ 4,230	$ 3,526
Ratio of net charge-offs during period to average loans outstanding	.51%	.32%	.79%	.84%	.48%

Management anticipates $940 thousand of commercial, financial and agricultural loans, $365 thousand of real estate-mortgage loans, $613 thousand of consumer loans, and $30 thousand of leases will be charged off for 1990. The remaining $3.22 million or 62% of the allowance will be available for losses resulting from unforeseen circumstances.

Under-Performing Loans

Management monitors the components and status of underperforming loans as a part of the evaluation procedures used in determining the adequacy of the allowance for possible loan losses. It is the Corporation's policy to discontinue the accrual of interest on loans where, in management's opinion, serious doubt exists as to the collectibility. The amounts shown below represent nonaccrual loans, loans which have been restructured to provide for a reduction or deferral of interest or principal because of deterioration in the financial condition of the borrower and those loans which are past due more than 90 days where the Corporation continues to accrue interest. The interest income for nonaccrual and restructured loans that would have been recorded in 1989, 1988, and 1987, under the original terms of the loans is $718 thousand, $260 thousand, and $480 thousand respectively. The Corporation recorded interest income on such loans in the amounts of $141 thousand, $27 thousand, and $43 thousand for 1989, 1988, and 1987, respectively.

	December 31,				
	1989	1988	1987	1986	1985
	(In thousands of dollars)				
Nonaccrual loans	$6,173	$2,277	$3,546	$3,863	$1,579
Restructured loans	—	—	—	—	47
	6,173	2,277	3,546	3,863	1,626
Accruing loans past due	2,473	1,786	2,209	4,173	5,767
	$8,646	$4,063	$5,755	$8,036	$7,393

Deposits

Total deposits grew in 1989 to an all time high of $719.4 million at December 31, 1989, compared to $701.2 million at December 31, 1988. The information below presents the average amount of deposits and rates paid on those deposits for 1989, 1988 and 1987.

	1989		1988		1987	
	Amount	Rate	Amount	Rate	Amount	Rate
	(In thousands of dollars)					
Non-interest-bearing demand deposits	$ 81,852		$ 86,647		$ 84,534	
Interest-bearing demand	138,071	5.41%	134,858	5.36%	129,150	5.22%
Savings deposits	86,543	5.44	87,501	5.50	78,746	5.42
Time deposits:						
$100,000 or more	105,848	8.50	92,049	6.98	89,897	6.15
Other time deposits	294,335	8.40	259,325	7.39	234,425	7.16
TOTALS	$706,649		$660,380		$616,752	

The maturities of certificates of deposit of $100 thousand or more outstanding at December 31, 1989 are summarized as follows (in thousands of dollars):

3 months or less	$65,367
Over 3 through 6 months	22,793
Over 6 through 12 months	7,379
Over 12 months	7,075
TOTAL	$102,614

Short-Term Borrowings

A summary of the Corporation's short-term borrowings at December 31, 1989, 1988 and 1987 is presented below:

	1989	1988	1987
	(In thousands of dollars)		
Federal funds purchased	$11,218	$ 4,893	$14,199
Securities sold under agreements to repurchase	6,941	7,094	9,472
Other short-term borrowings	4,135	5,214	4,092
	$22,294	$17,201	$27,763

The amounts and interest rates related to federal funds purchased and securities sold under agreements to repurchase are presented below.

	1989	1988	1987
	(In thousands of dollars)		
Average amount outstanding	$16,293	$16,212	$16,514
Maximum amount outstanding at a month end	34,978	22,659	24,987
Average interest rate during year	8.72%	7.54%	6.82%
Interest rate at year end	7.75%	7.50%	7.24%

Capital Resources

Shareholders' equity increased $4.8 million or 8.48% to $61.9 million from the $57.1 million reported for the preceding year.

First Financial Corporation's objective is to maintain adequate capital to merit the confidence of its customers and shareholders. To warrant this confidence, the Corporation's management maintains a capital position which they believe is sufficient to absorb unforeseen financial shocks without unnecessarily restricting dividends to its shareholders. The Corporation's dividend payout ratio for 1989 and 1988 was 22.4% and 27.0%, respectively. The Corporation expects to continue its policy of paying regular cash dividends, subject to future earnings and regulatory restrictions and capital requirements.

Using regulatory authorities' computation for primary capital, the Corporation's ratio of primary capital to total assets at December 31, 1989 and 1988 was 8.1% and 7.8% respectively. The current minimum regulatory primary capital ratio is 6%. The Corporation's total capital, including long-term debt with a weighted-average maturity of over seven years, at December 31, 1989 and 1988 was 8.3% and 8.0% respectively.

Beginning in December, 1990 all financial institutions will be subject to risk-based capital guidelines. These rules assess various degrees of risk to categories of assets and off-balance sheet assets. There is a three year phase-in to the required level of 8.0% capital to risk-based assets. The Corporation and each of its subsidiary banks already exceed the 8.0% final requirement.

Interest Rate Sensitivity and Liquidity

First Financial Corporation holds its four subsidiary banks responsible for monitoring each bank's sensitivity to fluctuations in interest rates and assuring that each bank has adequate liquidity to meet loan requirements and deposit withdrawals of its customers. Each bank meets these responsibilities through the activities of its Asset/Liability Committee.

At the lead bank, Terre Haute First, the committee reviews monthly a microcomputer model that projects interest and growth assumptions, earnings estimates, static gap analysis over various time intervals, and a dynamic gap analysis that reflects interest sensitivity over time increments out to one year. A liquidity report, which was developed by the Comptroller of the Currency, is also reported to the Committee. With information from the model, forecasts of economic trends and interest rate projections, the Committee develops the strategy for pricing deposits and the terms, rates, and concentrations emphasized for loans and investments. Because of the relative size of the banks, the sensitivity and liquidity strategy is coordinated through Terre Haute First for all affiliate banks.

The Corporation's Asset/Liability Committee reviews a monthly consolidated report of all four banks interest sensitivity position. This report is from the same computer model used at Terre Haute First. Strategy changes are primarily adjusted through the lead bank.

During the first six months of 1990, the Corporation has assets totaling $237.1 million that will be repriced or mature. During that same period, $257.9 million of liabilities will be repriced or mature. To assist in meeting its liquidity needs, the Corporation has $110.4 million of investments securities and interest-bearing deposits with other financial institutions which will mature in 1990. These are expected to provide adequate liquidity to fund loan growth and possible deposit fluctuations.

Effects of Inflation

The effects of inflation on an enterprise's reported results of operations vary depending on the components of the enterprise's assets and liabilities. Except for a bank's premises and equipment, which comprise a relatively small portion of total assets, a bank's assets and liabilities are primarily monetary in nature. Consequently, because a bank's monetary assets exceed monetary liabilities, banks generally experience a loss in purchasing power during periods of inflation. However, when considering the effects of inflation on banks, it is important to remember that interest rates, which affect the bank's costs for funds, do not always move in correlation with consumer prices.

MARKET AND DIVIDEND INFORMATION

At year-end 1989 shareholders owned 2,330,690 shares of the Corporation's common stock. The stock was held by approximately 579 shareholders and is traded over-the-counter. The following table gives quarterly high and low trade prices and dividends per share during each quarter for 1989 and 1988.

	1989			1988		
	BID QUOTATION		CASH DIVIDENDS DECLARED	BID QUOTATION		CASH DIVIDENDS DECLARED
	HIGH	LOW		HIGH	LOW	
March 31	$28.00	$28.00		$30.00	$29.75	
June 30	32.00	28.00	$ .25	30.00	30.00	$ .25
September 30	30.00	28.00		30.00	29.50	
December 31	32.00	28.00	$ .35	30.00	28.00	$ .275

CONSOLIDATED BALANCE SHEET-AVERAGE BALANCES AND INTEREST RATES

	DECEMBER 31,								
	1989			1988			1987		
	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
	(In thousands of dollars)								
ASSETS									
Interest-earning assets:									
Loans (1) (2)	$ 452,722	$ 50,778	11.22%	$ 417,539	$ 43,963	10.53%	$ 366,379	$ 38,383	10.48%
Taxable investment securities	199,100	17,129	8.60	183,893	15,452	8.40	192,765	16,364	8.49
Tax-exempt investment securities (2)	27,672	3,111	11.24	34,809	3,895	11.19	40,125	4,411	10.99
Federal funds sold	12,425	1,132	9.11	9,747	767	7.87	8,289	548	6.61
Interest-bearing deposits in other banks:									
Domestic	30,800	2,819	9.15	25,972	2,133	8.21	24,729	1,952	7.89
Foreign	4,304	422	9.80	6,590	551	8.36	9,238	674	7.30
Investment trading account	–	–	–	1,801	219	12.16	–	–	–
Total interest-earning assets	$ 727,023	$ 75,391	10.37%	$ 680,351	$ 66,980	9.84%	$ 641,525	$ 62,332	9.72%
Noninterest earning assets:									
Cash and due from banks	51,316			51,841			47,172		
Premises and equipment, net	16,452			14,785			10,426		
Other assets	12,961			10,027			14,874		
Less allowance for loan losses	(4,884)			(4,506)			(4,784)		
TOTALS	$ 802,868			$ 752,498			$ 709,213		
LIABILITIES AND SHAREHOLDERS' EQUITY									
Interest-bearing liabilities:									
Savings deposits	$ 224,614	$ 12,180	5.42%	$ 222,359	$ 12,048	5.42%	$ 207,896	$ 11,010	5.30%
Time deposits	400,183	33,723	8.43	351,374	25,605	7.29	324,322	22,308	6.88
Federal funds purchased and securities sold under agreement to repurchase	16,293	1,421	8.72	16,212	1,223	7.54	16,514	1,127	6.82
Other	12,053	911	7.56	13,318	848	6.37	17,841	845	4.74
Total interest-bearing liabilities	$ 653,143	$ 48,235	7.39%	$ 603,263	$ 39,724	6.58%	$ 566,573	$ 35,290	6.23%
Non interest-bearing liabilities:									
Demand deposits	81,852			86,647			84,534		
Other	9,154			7,976			7,788		
	744,149			697,886			658,895		
Shareholders' equity	58,719			54,612			50,318		
TOTALS	$ 802,868			$ 752,498			$ 709,213		
Net Interest earnings		$ 27,195			$ 27,256			$ 27,042	
Net yield on interest-earning assets			3.74%			4.01%			4.22%

(1) For purposes of these computations, nonaccruing loans are included in the daily average loan amounts outstanding.

(2) Interest income includes the effect of tax equivalent adjustments using a federal tax rate of 34% for 1989 and 1988, and 40% for 1987.

Officers

January—1990

Terre Haute First National Bank

Donald E. Smith—President & Chief Executive Officer
Richard E. Conrad—Senior Vice President & Cashier
James E. Brown—Senior Vice President
Michael A. Carty—Senior Vice President & Controller
Stanley V. Hart—Senior Vice President
Ray G. Ingram—Senior Vice President
W. Edward Jukes—Senior Vice President
John W. Perry—Senior Vice President
Fred P. Rubey—Senior Vice President & Trust Officer
Richard O. White—Senior Vice President & Security Officer
James H. Clayton—Vice President
R. Michael Dinkel—Vice President
Michael P. Webster—Vice President
Barry A. Stuck—Auditor & Compliance Officer
David B. Ballinger—Vice President
Marc Beeson—Vice President
Winnie Jo Cochran—Vice President
Morris G. Crumrin—Vice President
John D. Evans—Vice President
Charley E. Hendricks—Vice President
Kimberly J. Hendricks—Vice President & Personnel Officer
Michael F. Holmes—Vice President
Larry W. Howard—Vice President
William H. Jeffries—Vice President
Don Lofton—Vice President
Raymond L. Norris—Vice President
William G. O'Rourke—Vice President
Deborah S. Pierce—Vice President
Harold V. Rost—Vice President
David E. Rogers—Vice President
Lawrence R. Schopmeyer—Vice President
Cary W. Sparks—Vice President & Trust Officer
Mary Ann Brunett—Trust Officer
Alex F. Kosarko, Jr.—Trust Officer
Dierdre J. Llewellyn—Trust Officer
Michael W. Louis—Trust Officer
Robert D. Gibbons—Trust Investment Officer
James A. Cheek—Assistant Vice President
Vernon M. Cook—Assistant Vice President
Lela Cooper—Assistant Vice President
William R. Farris—Assistant Vice President
Phillip R. Garrigus—Assistant Vice President
Mary Patricia Garvin—Assistant Vice President
David L. Johnston—Assistant Vice President
Martha J. Kelley—Assistant Vice President
Linda M. Lumsdon—Assistant Vice President
Scott McCullough—Assistant Vice President
Janet L. Masters—Assistant Vice President
Albert R. Monninger—Assistant Vice President
Mary Ann Murphy—Assistant Vice President
Jeffrey K. Redman—Assistant Vice President
Tina M. Ryan—Assistant Vice President
Alan L. Sackrider—Assistant Vice President
William M. Sims—Assistant Vice President
Josie Swalls—Assistant Vice President
Nan Turner—Assistant Vice President
Sally A. Whitehurst—Assistant Vice President
Sook-Ja Lee—Assistant Controller
David P. Anshutz—Assistant Cashier
Leslie Cagle—Assistant Cashier & Assistant Bookkeeping Manager
Tresea Combs—Assistant Cashier
Judith K. Dick—Assistant Cashier
Donna G. Ellinger—Assistant Cashier
Diana L. Forbes—Assistant Cashier
Ronald R. McKee—Assistant Cashier & Property Management Officer
Wilma M. Roman—Assistant Cashier & Customer Investment Officer
John E. Sappington, II—Assistant Cashier
Jennifer L. Tipton—Assistant Cashier
Catherine Vermillion—Assistant Cashier
Jane A. Wheasler—Assistant Cashier
James Nasser—Assistant Auditor
Douglas W. Wilson—Staff Accountant
Richard A. Chowning—Assistant Data Processing Officer
Patty Kirkpatrick—Assistant Data Processing Officer
Steven V. Herndon—Collections Officer
Marilyn Allen—Assistant Marketing Officer
Amelia K. Smith—Student Loan Officer
Gregg S. Reynolds, Ph.D.—Research Analyst Officer & CRA Officer
Noel Tracy Lindsay—Installment Loan Officer
Phillip G. Wetzel—Installment Loan Officer
Jan A. Lind—Loan Review Officer

First Citizens State Bank

Michael A. Carty—President & Chief Executive Officer
James D. McKinley—Vice President
Jill R. Pastore—Operations Officer
Erroll L. Harding—Banking Center Manager
William E. Webber—Assistant Cashier & Banking Center Manager
Jerry E. Sims—Assistant Cashier
Jack L. McMullen, Jr.—Assistant Cashier
Christi Chaney—Loan Officer

First Farmers State Bank

V. Bruce Walkup—President & Chief Executive Officer
Stanley V. Hart—Vice President & Chief Operating Officer
Stephen T. Lippeatt—Vice President & Cashier
Jimmie D. Elliott—Vice President
Michael E. Schenbeck—Vice President
Ann Dean—Assistant Vice President
Betty Bohannon—Assistant Trust Officer
Linda Mentillo—Assistant Vice President & Branch Manager
Peggy Robbins—Assistant Vice President
Gregory W. Blake—Assistant Operations Officer
Kathryn Knowles—Assistant Cashier & Branch Manager
Richard S. Gray—Assistant Vice President & Branch Manager
R. Joseph Moreland—Assistant Cashier
Janeen K. Walters—Assistant Cashier

First State Bank

John W. Perry—President
J. Bart Colwell—Executive Vice President & Cashier
W. Craig Nees—Vice President & Security Officer
Ronald W. Reagan—Vice President
Mary Ann Brunett—Trust Officer
Susan E. Patterson—Assistant Vice President & Assistant Cashier
Mark A. Boswell—Assistant Vice President
Rebecca Foltz—Assistant Cashier

Directors

Seated (from left): Walter A. Bledsoe, Virginia L. Smith, Donald E. Smith, Mari H. George and Welby M. Frantz. Standing (from left): Richard E. Conrad, Max Gibson, William A. Niemeyer, B. Guille Cox, Jr., Anton H. George, Norman L. Lowery, Patrick O'Leary, Thomas T. Dinkel and John W. Ragle. Director Appointment: (Not Pictured) Chapman J. Root, II was appointed in November, 1989 to serve on the Board of Directors for First Financial Corporation and Terre Haute First National Bank. Root serves as the fifteenth member of the Board of Directors. In Memoriam Of: We sadly report the loss of three Bank Board of Directors during 1989. Wilson N. Cox, served on the Board for fifty-two years. Edward B. Ijams and Henry P. Smith each served as members of the Board of Directors for forty-five years.

Terre Haute First National Bank

Walter A. Bledsoe
Investments

Richard E. Conrad
Senior Vice President & Cashier

B. Guille Cox, Jr.
Attorney-at-Law

Thomas T. Dinkel
President,
Sycamore Engineering, Inc.

Welby M. Frantz
Business Consultant

Anton Hulman George
President, Indianapolis
Motor Speedway Corp.

Mari Hulman George
Chairman of the Board,
Indianapolis Motor Speedway Corp.

Max Gibson
President, Victory Services, Inc.

Norman L. Lowery
Attorney-at-Law

William Niemeyer
President, Niemeyer Coal Co.

Patrick O'Leary
Executive Director,
Alliance for Growth & Progress, Inc.

John W. Ragle
President, Graham Feed Co., Inc.

Chapman J. Root II
Vice President, Root Company

Donald E. Smith
President & Chief Executive Officer

Virginia L. Smith
Secretary, R. J. Oil Co., Inc.

First Citizens State Bank

Henry J. Antonini
Attorney-at-Law

Michael A. Carty
President & Chief Executive Officer,
Senior Vice President & Controller
Terre Haute First National Bank

Stanley J. Clark
President, Stanley J. Clark, Inc.

Wakefield P. Kirkman
Retired

Lincoln E. Maloney
Secretary,
White Construction Company

Scott McCullough
Assistant Vice President
Terre Haute First National Bank

Danny F. Wesch
Farmer

First Farmers State Bank

Kenneth P. Cooper
Trust Officer

Joe R. Crowder
Retired

Joseph E. Dukes, M.D.
General Practitioner

Robert F. Dukes
Educator

Ernest DuPre, M.D.
General Practitioner

Sidney J. Hale
Retired

Stanley V. Hart
Vice President & Chief Operating Officer,
Senior Vice President
Terre Haute First National Bank

James G. Riddle
Retired President,
First Farmers State Bank

Lester Shepherd
Retired

Robert E. Springer
Attorney-at-Law

V. Bruce Walkup
President & Chief Executive Officer

First State Bank

James E. Brown
Senior Vice President
Terre Haute First National Bank

J. Bart Colwell
Executive Vice President

Sam J. Emmert
President, Timberland Home
Center, Inc.

Stanley E. Froderman, M.D.
General Practitioner

Max Gibson
President, Victory Services, Inc.

Robert A. Heaton
Financial Services Representative
Forrest Sherer, Inc.

Ray G. Ingram
Senior Vice President
Terre Haute First National Bank

James E. Pell
President, Pell Homes, Inc.

John W. Perry
President,
Senior Vice President
Terre Haute First National Bank

John P. Stelle
Honorable Judge, Clay County
Superior Court

Locations

Terre Haute First National Bank Locations

Main Office Banking Center
One First Financial Plaza
Terre Haute, IN 47807
Automated banking available
238-6333

Honey Creek Square Banking Center
U.S. Highway 41 South
Terre Haute, IN 47802
Automated banking available
238-6436

Maple Avenue Banking Center
4065 Maple Avenue
Terre Haute, IN 47804
238-6288

Meadows Banking Center
350 South 25th Street
Terre Haute, IN 47803
Automated banking available
238-6291

Plaza North Banking Center
Ft. Harrison Road &
Lafayette Ave.
Terre Haute, IN 47804
Automated banking available
238-6201

Seelyville Banking Center
Seelyville, Indiana 47878
238-6294

Southland Banking Center
7th Street & Margaret Avenue
Terre Haute, IN 47802
Automated banking available
238-6269

Springhill Banking Center
U.S. Highway 41 South
Terre Haute, IN 47802
Automated banking available
238-6395

West Terre Haute Banking Center
309 National Avenue
West Terre Haute, IN 47885
Automated banking available
238-6281

First Citizens State Bank Locations

Newport Banking Center
So.East Corner Market & Main
Newport, Indiana 47966
832-7076 317-492-3321

Cayuga Banking Center
211 Curtis Street
Cayuga, Indiana 47928
317-492-3391

Clinton Banking Center
221 South Main
Clinton, Indiana 47842
Automated banking available
832-3504

First Farmers State Bank Locations

Sullivan Banking Center
15 South Main Street
Sullivan, Indiana 47882
Automated banking available
268-3331

Dugger Banking Center
Main Street
Dugger, Indiana 47848
648-2251

Farmersburg Banking Center
Main Street
Farmersburg, Indiana 47850
Automated banking available
696-2106

Hymera Banking Center
Jackson & Main Street
Hymera, Indiana 47885
383-4933

First State Bank Locations

Brazil Banking Center
State Road 59 South
Brazil, Indiana 47834
443-4481

Poland Banking Center
Main Street
Poland, Indiana 47868
986-2115

Clay City
502-504 Main Street
Clay City, Indiana 47841
939-2145

A copy of Form 10-K, as filed with the Securities and Exchange Commission, is available upon written request to:

John W. Perry, Treasurer
First Financial Corporation
P.O. Box 540
Terre Haute, Indiana 47808-0540